ENTREPRENEURIAL BEHAVIOUR, SOCIAL AND ECONOMIC INSTITUTIONS AND PERFORMANCE OF MICRO AND SMALL LIVESTOCK ENTERPRISES IN NORTH EASTERN REGION, KENYA

BY

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DECLARATION

I, Billow Khalid hereby declare that this PhD Thesis is my original work and has not been submitted to any other university or institution of higher learning for any academic award such as certificate, diploma or degree.

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DEDICATION

First I dedicate this work to my late mother, Ms Ambia Elmi for her deep love, care and hard work. I also dedicate this work to my elder brother Daud Ahmed who first encouraged me to go to school.

Further, this thesis is dedicated to Halima Sheikh Adan, the mother of Yaqub and Yahya. This work is also dedicated to my children, Abdi, Milyuni, Yaqub, Yahya, Farhia, Hamti and Bashir for their wonderful love and encouragement during the challenging times of field research and compiling this work. I thank you all for your understanding and greatly valuing education.

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ABBREVIATIONS AND ACRONYMS

ASAL	Arid and Semi-Arid Lands
BSMDP	British Services Market Development Programme
CDF	Constituency Development Fund
COMESA	Common Market for East and Southern Africa
EAC	East Africa Community
EU	European Union
FAO	Food Agricultural Organization of the UN
GCLMC	Garissa County Livestock Marketing Council
GDP	Gross Domestic Product
GoK	Government of Kenya
IGAD	Inter-Governmental Authority on Development
ILO	International Labour Organisation
ILRI	International Livestock Research Institute
KCA	Kenya Camel Association
KLMC	Kenya Livestock Marketing Council
KMC	Kenya Meat Commission
KNBS	Kenya National Bureau of Statistics
SMEs	Small and Medium Enterprises
MSMEs	Micro, Small and Medium Enterprises
MSEs	Micro and Small Enterprises
NPEP	National Poverty Eradication Plan
PPLPI	Pro – poor Livestock Policy Initiative

MSEs   Micro and Small Enterprises

UNEP   United Nations Environmental Program

PESTLIED Political, Economic, Social, Technological, Legal, International, Environmental and Demographics

ABSTRACT

The motivation for this study arose from the fact that, whereas 73% of Kenya is arid and semi-arid lands, suitable only for livestock rearing where the livestock sector contributes 12% to the national GDP and whereas, according to Kenya Veterinary Vaccines Production Institute, about 10 million Kenyans derive their livelihood from livestock, no academic study was done in the past to help understand the performance of the firms in the livestock sector. The study has responded to the question: Are the MSEs in the livestock sector thriving or merely surviving? The main objective of this study was to examine the effects of entrepreneurial behavior, social and economic institutions on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya. The study was based on the interviews of the owners of 191 MSEs out of a population of 305 firms, resulting in a response rate of 63 percent. The study was set within the context of rural environment with highly constrained access to financial, human resources and social capital and comparatively with weak socio-economic institutional framework. The study is based on several empirical studies, literature review, conceptual framework and is presented in eight chapters. The theoretical anchorages of the study are bricolage, effectuation, resource based view (RBV) and institutional theories. As the literature review chapter three demonstrate, these theories are most popular research lenses and were appropriate for this study. Bricolage and effectuation theories of entrepreneurship, unlike causation, help to provide acceptable explanation for how entrepreneurs successfully overcome the challenges of resources constraints in a highly capital scarce settings. The role of institutions and resources in firm performance also help to provide a well-grounded explanation as to why some firms perform better than others or some enterprises fail altogether. Methodologically, the research design of the study was a cross-sectional survey method combined with case studies. The method of data collection was pre-tested, assisted, self-completion questionnaire method, using Likert scale and qualitative perception measures of performance to determine the dependent variable which was the performance of the MSEs. Descriptive statistics, factor analysis, multiple regressions and ANOVA were used to perform data analyses. The main findings of this study were that a number of aspects of entrepreneurial behaviour dimensions directly, positively affected performance of the MSEs. Some have negative effects and yet others have weak relationship with firm performance. The specific findings from the study are: one; business interests, achievement need or motivation contributed significantly to performance of MSEs. Two; business growth motivation is explained by previous growth, asset size, motivation, attitudes, opportunity recognition and institutional business climate. However, the study finds that overall entrepreneurial behaviour has moderate positive effects on performance. Similarly, social and economic institutions have on the average strong positive effects on the relationship between entrepreneurial behaviour and performance of the MSEs. Further, the study found that the combined effects of entrepreneurial behaviour, social and economic institutions are greater than their individual effects, R^2=78.9%. The study experienced limitations regarding the wide geographical scope of the region, security challenges during the data collection stage and obtaining the cooperation of the owners of the MSEs. However, these constraints were managed. The study suggest further research on micro, small and medium size enterprises in the livestock sector in North Eastern Kenya based on individual theories of institutions, culture, geography and bricolage and not integrated as this study has done. Such research will help shed more light on the performance of MSEs in the livestock sector using new entrepreneurship research lens. The study has theoretical, managerial and policy implications in the concerned livestock sector in Kenya.

CHAPTER ONE

INTRODUCTION

This chapter presents the introduction and purpose of the study. It specifically presents the background of the study, the research problem, research objectives, value of the study as well as the scope of the thesis. The background of the study covers the research variables; entrepreneurial behaviour, social and economic institutions and firm performance. The chapter ends with summary and structure of the thesis.

1.1   Background of the Study

The study of entrepreneurship and small business firms, both as a social phenomenon and as a scholarly domain, has grown exponentially during the past three decades since the world has continued experiencing "the entrepreneurial revolution" (Kuratko & Hodgetts, 2007:19). Thus Entrepreneurial behaviour has featured for a long time in entrepreneurship as a core research area (Kizner, 1973). The purpose of this thesis was therefore to examine and evaluate a model of entrepreneurial firm performance and to test four hypotheses. That entrepreneurial behaviour affects firm performance, that social and economic institutional variables moderate the relationship between entrepreneurial behaviour and performance. Finally that the combined effects of entrepreneurial behaviour, social and economic institutional variable on firm performance were greater than their individual influences.

According to Lundstrom and Stevenson (2006), entrepreneurship and small business sector in any region or country have been recognized, as important elements contributing to national and regional economic growth. Research findings continue to confirm that entrepreneurship is important to economies in several ways.

One of the earliest compelling arguments for the importance of micro and small businesses to the economy was its role in job creation, first uncovered by David Birch (1979). What Birch's research demonstrated was that most of the jobs in the United States for instance "were not only being generated by small firms, but by new and rapidly – growing young firms" Lundstrom & Stevenson, 2006:13). Studies in other developed and developing countries confirmed the job creating contributions of new and small firms and how context matters in firm performance (Deakins & Freel, 2012). It has been argued that there is need to distinguish between "entrepreneurship as a scholarly domain" and "entrepreneurship as a social phenomenon" (Stokes & Wilson, 2006).

As a societal phenomenon concerned with successful outcomes of entrepreneurs' economic activities that affect the market in a positive way, entrepreneurship and small business research have used a number of theoretical and conceptual perspectives in order to better understand, explain and predict the societal phenomenon under study as is the primary goal of entrepreneurship to create value for individuals, and for society (Kizner, 1973). Some studies applied entrepreneurial behaviour theories, personality theories, while others used entrepreneurial orientation, institutional theories, sociological and evolutionary theoretical perspectives (Aldrich, 2005; Kirby, 2003; Delmar, 1996; North,

1990).   All these theoretical perspectives are different approaches to understanding, explaining and predicting the behaviours and performance of entrepreneurs. Entrepreneurial behaviour and orientation are related and are based on the observed actions of entrepreneurs that demonstrate in practice the concept of need achievement, motivation, risk taking, tolerance of failure / ambiguity, locus of control and self-efficacy (Rwigema, 2011).   Personality approach identifies certain personality characteristics or "traits" in individuals that appear to be possessed by successful entrepreneurs.

The key characteristics cited by the literature include calculated risk taking, high internal locus of control, creativity, innovativeness, need for autonomy, tolerance for failure, high energy, being ambitious, vision and the desire "to do and achieve what no one thought possible with what no one also thought possible in terms of resources" (Deakins & Freel, 2012:15).   In psychological terms it's believed that individuals activate their entrepreneurial potential when and if they have specific ability and possess technical knowledge. Besides individual traits (Rwigema, 2011) argues that environmental possibilities such as opportunities, inclination, the will to produce wealth, motivation and social support have to be present to actualize an individual's entrepreneurial potential. Various studies reported that whereas entrepreneurial behaviour has a positive influence on firm business performance, such effects is not universal (Fisher, 2012, Covin & Slevin, 1991).

A consensus has emerged that there are other factors besides entrepreneurial behaviour that influence firm performance such as access to resources and facilities in the local institutional environment. Understanding, therefore, the role of institutions in enabling or constraining entrepreneurial behavior, firm performance and entrepreneurship as a system is critical for entrepreneurial recognition, initiation, sustainability, growth and policy formulation for improving performance of MSEs in a country or region. The concern of institutional theory is with how various groups and organisations "better secure their positions and legitimacy by conforming to the rules and norms of the institutional environment" (Bruton, et al, 2010). The term "institution" is a description of both the formal and informal rule sets. Institutions can be grouped into social and economic. The social and economic institutional environment of a firm is a major determinant of its performance in addition to owners' entrepreneurial behaviors.

Social and economic institutions that influence the creation, operations and performance of business have been categorized into twelve groups (McCormick & Kimuyu, 2007, p.12). The key social institutions are trust and related institutions, family, community, ethnicity and gender. The economic institutions are firms, goods markets, business associations, governments and their agencies, law and contracts. The theoretical mixed outcomes of the findings of the past studies in the literature notwithstanding, MSEs / SMEs studies in Kenya have demonstrated the value of these enterprises in the national and regional economies (Maalu, 2010; Orero, 2008; King, 2003). Kenya, like majority of the developing countries, faces the challenges of high incidence of poverty and unemployment among the young, energetic, employable population.

Most employment is sought in urban areas, defined as cities and municipalities with high population. This has put immense pressure on the available resources in largely agricultural and livestock economy. This is what has come to ignite what is described as the modern growth of the informal sector, micro and small enterprises, hence giving MSEs an important position in policy formulation, wealth and employment creation (GoK Economic Survey, 2014). Over the past two decades or so since 1994 there has been a marked increase in the number of small and micro businesses in the economy of Kenya (GoK *Economic Surveys*, 2009, *Economis Survey*, 2013). The figures vary slightly according to source and time scales used but from 1994 to 2013, the number of MSEs grew to about 2.2million employing about 8million workers (GoK Economic Surveys, 2013). The vast majority of registered businesses are micro and small, 98 per cent with fewer than 10 employees per firm. In the rural areas such as in Garissa, Wajir and Mandera counties almost all the businesses run in those locations are micro enterprises as defined by the MSE Act, 2012.

In North Eastern Kenya; Wajir, Garissa and Mandera Counties, livestock trade is the major economic activity of the region. Livestock trade begins in remote villages among the pastoralists where "bush traders" procure animals from pastoralist households in location and sub-location markets. These animals pass through many stages, some ending in terminal markets in Nairobi, Mombasa or in export markets. To the economy of North Eastern Kenya, it is estimated that livestock contributes about 70% (GoK Garissa Livestock Marketing Council, 2010). The livestock trading MSEs, however face a number of challenges; resources constraints being the first. Other challenges include: lack

of organised livestock market and market information. Inadequate market outlets, characterized by cartel-like behaviour and poor market response during crises and relatively low livestock producer prices are also other constraints.

More challenges include: high marketing transaction costs; under-developed stock routes and infrastructure; prevalence of livestock disease and pests. Some regulatory constraints include prohibition of night movement when trucking the livestock; unreasonably high market charges by county authorities when compared with the services received; "inadequate operating capital for livestock traders; insecurity; supply problems, including drought and high levels of inbreeding and lack of reliable livestock statistics" (GoK, 2015). Despite the high social and economic values of the MSEs in the livestock sector in North Eastern Kenya, no major academic study has been done in this regard from the perspectives of entrepreneurship theory, policy and practice. Entrepreneurship is an economic process and is best understood from integrated behavioural – institutional eclectic theoretical framework model and business performance perspectives (Fisher, 2012).

In this thesis, entrepreneurship is studied from entrepreneurial behaviour – institutional perspective. More specifically, the study argues that an economic process such as entrepreneurial behaviour is best understood from an institutional framework. The assumption is that the motivation, commitment, experience, knowledge and behaviours of the entrepreneur is the core of the entrepreneurial process. However, firm performance is also dependent on the social, economic and even the geographical context in which it

operates. It is on the basis of this logic that it is argued that social and economic institutions can moderate the way entrepreneurial behaviour influences performance of micro and small livestock enterprises in North Eastern Kenya. The study nevertheless, demands theoretical foundation on which to explain the variables influencing the performances of MSEs. Bricolage and effectuation as emerging theories of entrepreneurship, entrepreneurial behaviour theories, institutional theories and resource base view (RBV) are the main theoretical framework of the study.

Institutional and sociological theories recognize the importance of environmental factors, especially the influence of culture, relationships on individual and resources mobilization. The concept of evolutionary theory concerning entrepreneurship argues that "in population of firms in which there is a great heterogeneity, there will be no firms representing the central tendency in the population; the firms will differ from each other, and this variations will pave the way for evolution due to selective elimination and those firms that will survive will be copied by others" (Aldrich & Mueller, 1981). The thrust of evolutionary theory is the argument that firms flourish or fail because they are more or less suited to the particular environment in which they operate.

The choice of any of these theoretical anchorages in a study depends on the nature and context of the studies as well as the preferences of the researcher. One of the popular theoretical foundations that has proven useful lens for entrepreneurship research is entrepreneurial behaviour which is the manifestation of the overt, concrete actions of individuals or teams to discover, evaluate and exploit business opportunities (Covin &

Slevin, 1991). Many of the findings of such studies, however, lack consensus. For instance, the studies by Covin and Slevin (1991) and Delmar (1996) reported that entrepreneurial behaviour influences firm performance and that such performance is either enabled or constrained by environmental dynamics.

On the other hand, the study by Fisher (2012) argued that entrepreneurial behaviour is an environmental dependent. Social, economic and ecological environment manifest themselves more in micro and small enterprises than large and medium size firms. Entrepreneurs display certain similar characteristics and patterns of behaviours or traits. The problem is that there is no agreement on those characteristics and patterns. These behaviourial traits can range from 12 to 40, although some are similar or constant (Kirby, 2013). For instance Hornaday (1982) identifies more than 40 traits associated with entrepreneurs, Gibb (1990) identifies 12 and Timmons et al. (1985) identified 19. Some of the Timmons et al (1985) attributes relevant to this study are: total commitment, low needs for status and power, integrity and reliability, high energy, vision and capacity to inspire. Personality theory as applied to entrepreneurship has been criticized as being essentialist, reducing complex matter into a single factor, because it suggests that differences between entrepreneurs and non entrepreneurs are due to personality traits and not traits and institutional factors.

In the United Kingdom, the highly influential Bolton report of 1971 which was the outcome of a Committee of Inquiry on Small Firms recognized that small enterprises made eight special contributions to the development of the economy of a country (Stocks

& Wilson, 2006). The eight important roles identified by Bolton which apparently are relevant to Kenya are: a productive outlet for enterprising and independent individuals, the most efficient form of business organization in some industries or markets where the optimum size of the production unit or sales outlet is small. Specialist suppliers or subcontractors to larger companies, contributors to the variety and availability of products and services made available to customers in specialized markets, too small for larger companies to consider worthwhile, competition to the monopolistic tendencies of larger companies, innovator of new products, services and processes. The breeding ground for new industries and finally the seed bed from which tomorrow's larger companies will grow providing entry points for entrepreneurial talents who will become the industrial captains of the future. The proposition, therefore, that the performance of micro and small enterprises are function of entrepreneurial behaviour and the contextual social and economic institutions is not limited to Kenya alone. It is a global perspective.

1.1.1. Concept of Entrepreneurship

Many scholars have studied and speculated on the origins, meanings and functions of the concepts of entrepreneur, entrepreneurial and on the nature of entrepreneurship. A large body of research now exists on these topics in a number of social science disciplines including economies, sociology, psychology, economic history, economic geography, finance and management, and in political science (Parker, 2004). These are mainly concerned with defining and identifying in fairly general way salient aspects of entrepreneurship.

The concept of entrepreneurship, which is one of the four mainstream economic factors of production: land, labour, capital and entrepreneurship, has a long history because the human social exchange system of free enterprise has always engendered the spirit of entrepreneurship (Holt, 2002). As Hisrich et al. (2005:6) observed in an example of the earliest definition of an entrepreneur as a "go-between'' is Marco Polo, who attempted to establish trade routes to the Far East. As a go-between, Marco Polo would sign a contract with a money person – forerunner of today's venture capitalist – to sell his goods. Cantillon (1755) is credited with giving the concept of entrepreneurship a central role in economics, described an entrepreneur as a person who buys a product at certain price to resell it at an uncertain price, thereby assuming the risk of enterprise. This is the decision about resource allocation. Any one person who undertakes the formation and operation of an organization for commercial purposes is an entrepreneur. The word itself, derived from French, *entreprendre*, literally means "between takers" or "go between" or "undertakers," meaning those who "undertake" the risk of new enterprises, or going between in trade (Holt, 2002).

Entrepreneurial is an adjective describing how the entrepreneur undertakes what they do. The fact that scholars use the adjective suggests that there is a particular style and behaviour, to what entrepreneurs do. The entrepreneurship process in which the entrepreneur engages is the means through which new venture is created as a result of the enterprise; the entrepreneurial venture (Wickham, 2006). While emphasizing the role of entrepreneurship in the pursuit of human happiness, Bienhler (2008:332), quoting Douglas Adams, argued, "This planet has had a problem, which was this: most of the

people living on it were unhappy for pretty much of the time. Many solutions were suggested for the problem" (unhappiness) but "most of these were largely concerned with movements of small green pieces of paper" (meaning circulation of cash in the US$ by SMEs). Hisrich et al. (2002:8) suggests other popular definitions of entrepreneurship and they include: entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time or career commitment or provide value for some product or service. Entrepreneur is one who brings resources, labour, materials, and other assets into combination that make their value greater than before, and also one who introduce changes, innovation, and a new order. Entrepreneur is a person driven by certain forces – the need for achievement, to accomplish or perhaps to escape the authority of others. In almost all of the definitions of entrepreneurship, there is agreement that scholars are talking about a kind of behaviour that includes: one, initiative taking, the organizing and reorganizing of social and economic institutions to turn resources and situations to practical account and the acceptance of risk or failure.

Thus entrepreneurship is first and foremost a mindset. To seize an entrepreneurial opportunity, one needs to have at least a taste for independence and self-realization and also be prepared to handle the uncertainty that is inherent in entrepreneurship process. In order to include and take into all types of entrepreneurial behaviour, the following two definitions of entrepreneurship of Holt (2002:8) and Lundstrom and Stevenson (2006) will be the foundation of this thesis. According to Holt, entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming

the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence. On the other hand, Lundstrom and Stevenson (2006) defined entrepreneurship as an economic system that consists of entrepreneurs, legal and institutional arrangements and governments. Governments are important because they have the ability to adjust the economic institutions that work to protect the individual entrepreneurs and stimulate their motives to achieve social and economic success. Definitional variations aside, in the past four decades since 1978 when the strong global ideological wave of neo-liberalism covered the world's economic imagination, research on entrepreneurship and small business development gained exceptional momentum. The evidences include the increased numbers of entrepreneurship, businesses, finance and management courses in universities in every country the world over (Kuratko & Hodgets, 2007).

According to Gibb (1996), there are essentially three main reasons for the contemporary interest in entrepreneurship. These are: job creation and economic development, a strategic adjustment / realignment and deregulation and privatization of public utilities and stake owned enterprises. Harvey (2005) argues that the combined market liberalization approaches of the US, China and Britain in the 80's and the collapse of the Soviet Union in 1990 brought about a blend of policies to curb the power of labour, deregulate industry, agriculture and resources extraction and liberate the power of finance both internally and the world stage to fuel interest for entrepreneurship and pursuit for personal wealth and happiness everywhere. What was a minority argument that had been long in circulation became mainstream, majoritarian. Neoliberalism is in the "first

instance a theory of political economic practice that purposes that human well-being, dignity and individual freedom can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade" (Harvey, 2005:2).

The role of governments is simply to create and preserve an institutional framework appropriate to such practice. Since the last quarter of 20th century the spectrum of theoretical perspectives on entrepreneurship have moved from the classical and categorized different perspectives of the discipline into five: Psychological-trait, Sociological, Evolutionary, Cultural and Economic theories (Landstrom, 2005). These perspectives fit with the two research foundations of behaviourial and institutional theories. One way of synthesizing these research perspectives of entrepreneurship is with the macro and micro views of entrepreneurial theories (Kuratko & Hodgetts, 2007). The macro view of entrepreneurship theories takes a broad position and presents an array of factors that influence the performance, successes or failures of firms.

These factors include external processes that are mostly embedded in outside institutions, values and cultures that grouped together form a social and economic institutional theoretical framework that strongly influences the development of entrepreneurs and enterprise performance. The perspectives of financial capital of entrepreneurship, dissatisfaction or the displacement; political, cultural and economic displacement belong to the macro view. The micro view of entrepreneurship theories takes narrow position, examining the factors that are specific to entrepreneurship and are part of the internal

locus of control including behavioural perspectives (Kuratko & Hodgetts, 2007).

There are two main approaches to defining anything: the functional approach and the indicative approach (Casson, 2003). In the context of entrepreneurship research, the functional approach says simply that "an entrepreneur is what an entrepreneur does". It specifies a certain function such as buying and selling of livestock and deems anyone who performs this function to be an entrepreneur. The indicative approach provides descriptions of entrepreneurs by which they may be recognized. It describes an entrepreneur in terms of his legal status, and social relations with other parties and "disposition in terms of personality and observable actions, that is behaviour" (Casson, 2003:19).

It is this definitional appropriateness together with the bricolage and effectuation of entrepreneurship, describing behaviours undergirded entrepreneurs actions, logic that informs the choice of entrepreneurial behaviour together with institutional perspectives for this study. Studies of entrepreneurship have made distinction between classical and modern theories of entrepreneurship. The classical theories are the early views of entrepreneurship from the perspectives of economists. Thematically classical theories of entrepreneurship focused on arbitrage and the bearing of risks (Cantillon, 1755; Kirzner, 1973), coordination of factors of production, innovation (Say, 1828; Schumpeter,1954), leadership and motivation and personality or psychological traits (McClelland, 1961). Whereas arbitrage and bearing of uncertainty stressed the importance of the entrepreneur as an arbitrageur or speculator, who conducts all exchanges and bears risks as a result of buying at certain prices and selling at uncertain ones, while alert to business

opportunities. Say (1828) further argued that, the role of an entrepreneur is to combine and coordinate factors of production. The entrepreneur stands at the centre of the economic system directing and rewarding the various factors of production and taking the residual as profit. The modern theories of entrepreneurship are those of Kirzner (1973), Casson (1991) and other scholars (Stokes & Wilson, 2012). Although the influence of economics in entrepreneurship is profound and it is important to have a good grounding, the basic principles underlying this thesis is that the firm and the individual entrepreneur or small business owner are not solely economic but also social and moral actors.

The classical theories of entrepreneurship have been heavily criticized as being too narrow, instrumental, historical and hold utilitarian view of entrepreneurship which fail to go beyond the light cast by the 'streetlight of existing' belief (Down, 2008:54) and be unable to appreciate alternative ways of seeing entrepreneurship. Three theories which are relevant for this study and provide dynamic behavioural and institutional views of entrepreneurship which go beyond the 'streetlight' of historical belief are those of McClelland (1961), Kirzner (1973) and Casson (1991).

Kirzner (1973) emphasized the importance of the entrepreneur as a middleperson or arbitrageur, who is alert to profitable opportunities that are in principle available to all. Successful entrepreneurs merely notice what others have overlooked and profit from their exceptional alertness. The Kirzerian entrepreneur is alert to opportunities for trade. He or she is able to identify suppliers and customers and act as intermediary (Deakins & Freel, 2012). Kirzner suggests that there is no necessity for entrepreneurs to own resources and

that profit arises out of the intermediary function. These possibilities for profitable exchange exist because of imperfect knowledge. The entrepreneur has some additional knowledge which is not possessed by others, and this permits the entrepreneur to take advantage of profitable opportunities. The information is costless as it arises when someone notices an opportunity which may have been available all the time.

Casson (1991) stressed that entrepreneurs require controlling resources if they are to back their decisions to start and grow ventures. Such resources are likely to imply that they will have personal wealth. Lack of financial capital would thus be a barrier to successful entrepreneurship. The views of Casson recognize that the entrepreneur will have different skills and motivation from others. These skills enable the entrepreneur to make judgments, to coordinate scarce resources.

The entrepreneur makes judgmental decisions that involve the reallocation or organization of resources. The supply curve of entrepreneurs Casson emphasized depends on access to resources and thus depends on the local economy and environment. His analysis attempts to explain why in some economies entrepreneurs can flourish, yet in others there are low participation rates for people who own businesses. Casson gave the example of the South East in the UK which has higher participation rates of people in small business ownership than the Midlands which in turn has higher participation rates than Scotland. The low participation rates in small business in Scotland have been partly attributed, for example, to relatively low home-ownership which limits the amount of equity that a nascent entrepreneur might have to invest in a start-up.

Thus Casson's point about the access to resources would appear to be an important one (Deakins & Freel, 2012). Casson's conclusion has the implication that when such participates rates are examined; the environment can be a more powerful influence than any predilection amongst the local population for entrepreneurship. Both Kirzner and Casson view change as an accompaniment to entrepreneurship. The pace of change provides opportunities and the entrepreneur chooses which one to back. The entrepreneur's access to resources will depend on factors such as social mobility and quality of institutional factors such as the ability to access capital, social networks and the market structure. An equilibrium position will result from the interaction of these factors (Casson, 1991). In the light of these diverse perspectives of entrepreneurship theory and practice, which reflects the multidisciplinary nature of the field, the most appropriate theoretical foundation of any entrepreneurial study is one that takes into account the objectives and the context of the study in a manner which is sufficiently integrative enough. Arising from these views, this study uses the conceptual framework of institutional theories of entrepreneurship, entrepreneurial behaviour, and resource based view as the anchor theories.

1.1.2 Concept of Entrepreneurial Behaviour

The concept of entrepreneurial behaviour focuses on the concrete, theoretically " actions of individuals – as solo entrepreneurs or as part of a team of entrepreneurs – in the start up or early stages of organization creation, usually the first six to seven years" (Bird et al. 2012:2). It manifests itself as a discrete unit of individual activities that can be observed by audiences (Fisher, 2012). The behaviour of entrepreneurs plays a pivotal role

in the discovery, evaluation and exploitation of business opportunities that drive the emergence and successful performance of business ventures. It is for this reason that several studies of the supply of the entrepreneurs in a country as well as the relationship between entrepreneur's behaviour and firm performance have been conducted to date (Delmar, 1996; Bird & Schjoedt, 2009; Reynolds & Curtin, 2010).

The past studies except that of Reynolds and Curtin (2010) of the Panel Study of Entrepreneurial Dynamics (PSED) which identified not less than 30 different entrepreneur activities, were built on self reports or selected on behaviour at a time such as resources mobilization or registering a business. "As a result, academic understanding of the nature of the entrepreneurs' behaviour remains highly fragmented." (Mueller, et al. 2012:2). This state of fragmentation prevents the advancement of research on the contributions that specific behaviour can make to the emergence and growth of both new and old business ventures. Since entrepreneurial behaviour is vital to the performance, creation, growth and survival of business firms, it follows that attaining a better understanding of entrepreneurial behaviour will highly benefit entrepreneurship as a field of academic study.

The decision to behave entrepreneurially is the result of the relationships of several factors. The entrepreneurs' personal characteristics, goals and environment provide one set of factors. Another set is provided by the social and economic institutional environment. Individuals then look at the relationship between their entrepreneurial behaviors they would implement and the expected outcomes in terms of intrinsic and

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extrinsic rewards (Kuratko & Hodgetts, 2007).

In everyday language, behaviour means doing things in a particular way. Entrepreneurs are born to action. "If they are nothing else, entrepreneurs are persons who do things, take actions – they engage in vigorous, persistent efforts to convert their ideas and visions into profitable, operating firms" and engage in creative process by "making visible what, without them, might perhaps never have been seen (Baron, 2007:168). In the pastoralist communities they say, "create and increase your luck by doing more things. Be in motion. Sunrise and sunset should not find you in the same place". The basic theme of this study has been that because entrepreneurs constitute the active elements in firm performance, understanding regarding relevant aspects of their behaviours and even cognition, can and greatly contribute to the understanding of business success and failures. This proposition and by itself is not new. Researchers in the field of entrepreneurship have paid growing attention to investigating aspects of entrepreneurs' behaviour and firm performance (Delmar, 1996; Baron, 2007; Bird & Schjoedt, 2009).

However, to-date the issues of entrepreneurship together with the effects of institutional variables on firms performance contextually reviewed in Kenya have relatively had little empirical attention. Shapero (1981) argued that the entrepreneurial behaviour or orientation to translate or develop into concrete, successful firm performance, there should be entrepreneurial potential and potential entrepreneurs. Entrepreneurial potential is about the context, the environmental conditions and their degree of entrepreneurial favourability. Entrepreneurial activity does not occur in a vacuum. It is their context that people learn their beliefs, attitudes and assumptions about the world.

Entrepreneurship grows in an environment that Shapero (1981) calls as "nutrient rich". "Nutrients" here includes social, governments and cultural support, information, and tacit knowledge as well as more tangible resources (Kruegory & Brazeal, 1994: 92) "regardless of the existing level of entrepreneurial behaviour, such "seedbeds" establish fertile ground for potential entrepreneurs when and where they perceive a personally viable opportunity. That is 'entrepreneurial potential" requires "potential entrepreneurs" Entrepreneurial behaviour has two levels, that is the individual and the organizational levels. The individual level behaviour models and theories focus on traits of the individual entrepreneur, whereas the organizational focus on firm-level perspective. Entrepreneurial performance is a firm-level phenomenon. Level of analysis is at the firm level (Dyer, et al., 2009). It can be rightly argued that individual level behaviour on the part of MSE owners may affect an organization's action and in many cases the two, the individual and firm-level behaviours, are synonymous, one and the same (Covin & Slevin, 1991). Entrepreneurial firms are those in which certain behavioural patterns are common. These patterns cut across the firm at all levels and reflect the entrepreneur's overall strategic philosophy on effective entrepreneurial practice.

Studies on entrepreneurial behaviour and firm performance have theorized that behaviour of entrepreneurs influence significantly business performance. The central principle of this argument has been that a firm-level of entrepreneurial behaviour affects the effectiveness and efficiency of the firm. Studies have proposed a behavioural model of entrepreneurship because it is behaviour rather than personality attributes that give concrete substance to the entrepreneurial process (Covin & Slevin, 1991). Entrepreneurs

are identified and known by their actions, behaviours and social networks. It is further argued that entrepreneurs share an intentional pursuit of business opportunity and the associated cognitions or way of thinking and acting (Down, 2008). The popularity of entrepreneurial behaviour approach, to understanding and explaining firm performance is anchored on the fact that cognitive styles are context independent and represent in-built modes of processing and organizing information which are not influenced by the environment or strategic choice of the individual (Down, 2008).

Mitchel et al. (2002: 97) defines entrepreneurial cognition as "the knowledge structure that people use to make assessment, judgments or decisions involving opportunity evaluation, venture creation and growth." The cognitive behavioural theory approach to entrepreneurial research is resolutely focused at the individual entrepreneur level. The social, institutional, historical, geographical and cultural meanings and context of social interactions tend to be treated simply as moderating factors. It's the individuals plus the context together with relational engagements and actions of the entrepreneurs taken together as a processual integrated whole that determined firm performance (Down, 2008). As earlier stated the literature suggest strongly the key dimensions of entrepreneurial behaviour as need for achievement and autonomy – self-reliance, high motivation or commitment, tolerance of failures or ambiguity, risk taking, locus of control, self-efficacy and high level of social intelligence (Rwigema, 2011). The study by McClelland (1961) into the entrepreneurial personality concluded that the motivation force is needed for achievement. This desire to achieve a goal is linked with the ability to see and act on business opportunities.

A trait which is commonly recognised as prevalent among entrepreneurs and small business owners – managers alike is their strong desire for independence, and the freedom to create their own future. Studies have shown that the desire to be independent and self-directing has been seen as a predictor of the successful 'fit' of an individual with an entrepreneurial position (Stokes & Wilson, 2006). Major points of argument in these studies of Covin & Slevin, (1991); Delmar, (1996); Fisher, (2012) and Mueller, (2012) are that there remains lack of convincing evidence to prove that entrepreneurs possess higher achievement motivation than both corporate managers and small business owners-managers. As for need for autonomy, these studies made mixed conclusions, some concluding that there is lack of hard empirical evidence to support any firm association between a desire for independence and entrepreneurial behaviour.

The effects of the three entrepreneurial behaviour dimensions of locus of control, risk taking and self-efficacy have also been demonstrated to influence business performance differently, depending on the characteristics of the individuals, business sectors, institutional environment and even the geographical location of the enterprises (Stokes & Wilson, 2006). Behavioural scientists have developed the concept of "Attribution theory" to explain the ways in which the behaviours of people are judged (Down, 2008). The exponents of this theory argue that the behaviour of people can either be attributed to internal factors which are under the personal control of the individual or external factors which are outside the control of the person. For instance, if an employee of a company is late for work on a Monday, one might attribute his lateness to his partying into the wee hours of the morning and then oversleeping. This is an internal attribution. But if one

attributes his arriving to an automobile accident following a heavy rainfall that tied up traffic, then one is making an external attribution. It is on the premise of this therefore that behavioural scientists describe those who believe they have the ability to control their environment as having an internal locus of control, compared to others with an external locus of control who believe that their lives are dominated by chance, fate and need for the help of others (Down, 2008). On the other hand, the traits of risk-taking propensity and self-efficacy have been recognized as prevalent among successful entrepreneurs (Kuratko & Hudgetts, 2007). Self-efficacy is the perceived personal ability to execute target behaviour.

Without a significant level of belief in themselves hence entrepreneurs are not likely to take the initial risk of starting their own business. Entrepreneurs are often characterized as risk-takers who instinctively know that gains do not accrue to those who always play safely first (Kirby, 2003). However, there is debate over the levels of risk taken, which highlights a distinction between the entrepreneurs and the small business owner manager. At one end there is the opportunist entrepreneur who is cast as relentlessly pursuing every possibility with little regard to the resources available to them at the time. It has been argued that this compulsive, competitiveness stems from the entrepreneurs' deep insecurity which drives them to prove themselves time and again by taking risks.

Self-efficacy describes entrepreneur beliefs in their ability to undertake and accomplish some particular task or activity (Stokes & Wilson, 2006). Self-efficacy is related to starting and "persisting at behaviour under, high uncertainty, setting higher goals, and to reducing threat rigidity and learned helplessness. To be blunt, no self-efficacy, no behaviour" (Krueger & Brazeal, 1994). Self-belief would appear to characterize the entrepreneur at all stages of the entrepreneurship process. The pursuit of business opportunity regardless of the resources to hand often demands even greater self-belief-faith. The entrepreneur is not discouraged by rejection or failure.

Studies on entrepreneurial behaviour however, have mixed, conclusions – concerning its relationship with firm performance (Fisher, 2012; Delmar, 1996; Covin & Slevin, 1991). The studies of Gathenya, Bwisa and Kihoro (2011) also on entrepreneurial orientation among small and medium enterprises in Kenya made the recommendation that although entrepreneurial orientation has positive influence on the performance of SMEs, other moderating external variables should be taken into account in future studies on firm performance. In 2000 The Centre of Russian Studies at Harvard University carried out a major Panel Study on the effects of entrepreneurial behaviour and social capital on the performance of the Russian business firms and concluded that indeed social institutions moderated the relationship between entrepreneurial behaviour and Russian firms' performance. These studies argue that the influence of entrepreneurial behaviour on small businesses performance may depend on institutional and even geographical factors. It is in view of these observations of past studies that this study argues that entrepreneurial behaviour manifests themselves in business firms in terms of the concrete behavioural

practices of the owners/managers as implied in the six dimensions highlighted by Rwigema (2011) and Stokes and Wilson (2006). Therefore, this study took into account the six dimensions construct of entrepreneurial behaviour which comprises of achievement need-motivation, legitimacy seeking, risk taking locus of control, tolerance and ambiguity and effectuation, decision making processes.

1.1.3 Concept of Social Institutions

In any society, business is a primary social institution as it is composed of human groups working towards goals which are usually compatible with the overall goals of society. Business exists within a framework provided by other social institutions such as culture, family life, religion, law and education. This is a dynamic, interactive relationship. Business itself is defined as "the sum total of the organised efforts by which the people engaged in trade and industry provide the goods and services needed to maintain and improve the standard of living and quality of life to which every person may aspire" (Fitzgerald, et al, 1979).

It is self evident that entrepreneurship behaviour occurs within institutional context and is driven by the motivations of individuals seeking to satisfy their own personal dreams and economic goals. However, while the key to starting the process of entrepreneurship lies within the behaviour and actions of the individual members of the society, its development and sustained success is affected by the degree to which the spirit of enterprise exists or can be stimulated. The question then arises, What are the factors that enable, encourage and stimulate or constrain and prevent individual's behaviours in an

entrepreneurial manner? (Stokes & Wilson, 2006; North, 1990).   According to one researcher, Timmons, one of entrepreneurial trigger in the USA is:

A social institutional culture that prizes entrepreneurship, an imperative to educate our population so that our entrepreneurial potential is second to none, and a government that generously supports pure and applied sciences, fosters entrepreneurship with progressive, enlightened policies and enables schools to produce the best educated students in the world (Timmons, 1994:9)

Timmons, by this quotation has essentially identified the key factors: an enterprise social institution and a political economy, government that promotes enterprise. Before analysis can be made it is important however, to consider the concept of social institution. Institutions are the social and economic contexts in which entrepreneurship and small business activities take place (North, 1990). Institutions have been defined as "rules of the game of a society or more formally humanly-devised constraints that structure human interactions" (North, 1990: 25). Institutions whether social or economic are the rules and norms the individuals follow in their daily lives, the formal and informal constraints and their enforcement characteristics (Salitet, 2005). Although the two words 'institutions' and 'organizations' are commonly used, the two terms have subtle differences. North (1990) used a game analogy to differentiate the two, saying institutions are the "rules of the game" while organisations are its players as is the cases of differentiating the music from the musicians and the game of tennis from its rules. Organisations are also described as structured groups of individuals bound by a common purpose to achieve objectives. Institutions include such rules as a country's constitution, other rules and

community social norms. On the other hand, organisations are the embodiment of the institutions, the concrete bodies that implement the rules, both formal and informal on day to day basis (McCormick & Kimuyu, 2007).

Therefore generally examples of institutions are organisations, in both public and private sectors, the prevailing laws and regulations governing the societies economic and other interactions as well as social values and norms among the people as individuals and groups (Coleman, 1990). The rules of the game of social institutions derive their legitimacy from "the societal culture, religion, family, community, ethnic and gender based values" (Kirby, 2003). This is so because individuals cannot manipulate their values at will. "They must draw them from some authority greater than their immediate self-interest, and however, bend them to their purposes, they cannot break them without destroying their legitimacy of their behaviour or actions" (Marris & Somerset, 1971:81). However, the rules of the game of any society is never static. As observed by Coleman, "just as the forests and fields of the physical environment are being replaced by new cities with skyscrapers, the social institution around which societies have developed are being replaced by purposively constructed social organizations" (Coleman, 1990:5) and this has major implications for entrepreneurship studies. When social values are embodied in an institution, they can define in group whose social cohesion can be turned to entrepreneurial, economic advantages.

Granovetter (1973) recognised the importance of concrete personal relations and networks of relations. He called this the embeddedness of economic transactions in social relations. Social relations help generate trust in establishing and in creating and enforcing norms. Coleman (1990) conceived of these social-structured resources as a capital asset for the individual that is as a social capital. Social capital is frequently defined as the "sum of actual and potential resources embedded within, available through, and derived from the network of relationships possessed by individuals or social units" (Bruton, et al., 2010).

It is also defined as the relationships and networks from which individuals are able to derive institutional support (Rwigema, 2011). With an increasing "radius of reciprocity of trust", transactions costs lowers, more valuable information, credit facilities and other resources get accessed through social networks. Social networks, and particularly in the rural settings where micro and small businesses are predominant have tendency to fragment into isolated cliques and thus lack individuals who were strongly tied to all others in the "higher pyramids" of the community with more resource-density" (Simsek et al, 2003). Moreover, two common sources of weak ties, formal organization and work settings are scarce outside main urban business centres. Therefore many MSEs located in rural, geographical areas end up having only strong lies, with no social bridges and only structural hole-poor networks. One of Kenya's historical official policy paper, the African Socialism and its Application to Planning in Kenya of 1965 apparently captures at the macro level the spirit of social networks and their economic communal benefits.

The Sessional Paper (1965) argues that there are two African traditions which form an essential basis for African socialism-political democracy and mutual social responsibility. "Mutual social responsibility," moreover it posits, "is an extension of the African family spirit to the nation as a whole, with the hope that ultimately the same spirit can be extended to ever larger areas." It implies a mutual responsibility by society and it members to do their very best for each other (GoK, 1965). Coleman (1990) reasoned that social capital is defined by its functions as it is not one entity, but a variety of different entities having two characteristics in common. All of social capital consists of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure.

"Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence" (Coleman, 1990:302). To a suggestion posed by a researcher in 1974 one respondent in the micro enterprise sector in Nairobi said, "Anyway, I will come to my point; young boys are becoming very rich due to loans, connections and nepotism. The only thing, I want is a loan of about four to five thousand shillings" (King 1996:3). Therefore the importance of social institutions to entrepreneurship is derived mainly from its source as a provider of much needed various resources in the form of; knowledge, networks, finance, markets, information, emotional support and even social security and human capital.

A case which illustrates the value of trustworthiness in the context of social institutions is a rotating credit association found in among the members of the Garissa County livestock enterprises and elsewhere. These associations are groups of friends and neighbours who

typically meet monthly; each person contributes the same amount of money to a central fund, which is then given to one of the members through bidding or by lot. These associations, for example, serve as efficient social institutions for amassing savings for small capital expenditures, an important aid to entrepreneurial development.

In their early development, entrepreneurs hardly control sufficient resources of their own. Instead entrepreneurs assemble resources from different sources and thus the ability to mobilize their web of social relations plays a critical role in the process. Entrepreneur's social relations can be sources of ideas, advice, support, and referrals. The literature on ethnic entrepreneurship has consistently shown that tightly knit social communities produce more entrepreneurs (Waldinger et al, 1990a; Portes & Zhou, 1992). These studies examine the characteristics of the contextual issues that inspire entrepreneurship. Then make use of empirical evidence that minorities or migrants belonging to some ethnic groups are more likely to become entrepreneurs than the rest of the population. Waldinger, et al (1990) first explained this evidence with the idea that new immigrants, minorities and unskilled individuals select to become entrepreneurs to overcome their economic and social frustrations and the disadvantage of their marginality in the society, in other words for lack of better options. Granovetter (1973), noting that venture creation thrives in some ethnic communities but not in other similarly connected communities, suggests that the key to understanding successful entrepreneurial behaviour, is some combinations of social cohesion sufficient to enforce standards of fair business dealings and an atmosphere of trust, along with circumstances that limit the non-economic claims on a business that prevents its rationalization.

The concepts of social institutions, social capital, personal relations networks and social norms are all related with best fit the conceptualization of business environment within the framework of political, economical, social, technological, legal, international, environment and demographics (PESTLIED). PESTLIED is a useful tool for understanding the contextual issues facing firm performance (Rwigema, 2008). The key question associated with these eight contextual issues are: What are the government actions, monetary policy issues, social trends and attitudes as well as technological trends, international trends and factors, environmental "green issues" and factors related to the work force need to be considered by business for better performance and growth? Therefore, social resources theory advocates that in order for entrepreneurs to access resources, people who possess valued resources such as wealth, status, power and highly useful networks, the formation of social institutions and the rules of the game is imperative. Granovetter (1973) defined the concept of "strong" and "weak ties."

He said strong ties were those of kingship and friendship whereas weak ties were those of "acquaintances". Networks can also be perceived of as "bridging networks that are porous and socially inclusive or "bonding" Networks that tend to exclude outsiders (Stokes & Wilson, 2006). Bonding networks are typified by kinship and transactions between members of an ethnic group or friendship are based on ascribed trust attributed to family ethnic or other specific characteristics. Granovetter conceptualized social institutional structure as a pyramid in which positions are ranked according to ownership of valued resources. Given the pyramid structure, majority of people will only have weak ties with people occupying the higher positions in this structure. Burt (1992) calls the

relations on non-redundancy between two groups "structural hole". As a result of the 'hole' the contact between the groups, the two contacts provide network benefits that are in some degree additive rather than overlapping. The study of Cooper (1993) found that entrepreneurs utilized personal and professional sources of information to a greater extent than public sources of information which can be explained by the fact that entrepreneurs perform better in richly connected, flexible and accessible social networks. This means that weak ties might prove to be more critical for entrepreneurial performance than strong ties.

Therefore, the need for social institutions become clear when its appreciated that such institutions are instrumental in accessing the valued resources of the weak ties network. Coleman (1990) on the same subject developed ideas concerning the functioning in exchange systems of what he calls the F-connections. The F-connections is composed of families, friends and firms. Drawing on economic and anthropology Coleman and others show the way these firms of social institutions affect positively economic exchange.

This study, therefore, focused on the social institutions as a significant factor that is likely to moderate how entrepreneurial behaviour affects MSEs performance. The study has operationalized social institution variables in four dimensional forms composed of Kinship and family, trust (strong ties) yielding networks, associations of business groupings (weak ties), and existence of any "rules of the game of entrepreneurship" that guides members.

1.1.4 Concept of Economic Institutions

Economic institutions refers to the systems, regulations, statutory laws and government policies "that direct and influence the way individual businesses operate, perform and ultimately, the organization of business activities in general" (McCormick & Kimuyu, 2007:12). The fuel of entrepreneurial activities in a country, as argued by Kirby (2003), are the networks of governments, cooperatives, commercial organizations such as manufacturers, producers, wholesalers, banks and buyers who generate, distribute and purchase goods and services. The vibrancy of economic institutions therefore both at the organizational and regulatory levels greatly influence the nature and direction in which businesses operate. They-institutions set the climate for incentives to which people respond and change their entrepreneurial behaviours. Through social exchange mechanisms, economic institutions mediate the actions and behaviours of entrepreneurs and their business performance (Kirby, 2003). Economic and social exchange has been distinguished. The nature of the economic exchange is normally explicit and formal one and each party fulfils specific obligations.

In contrast, social exchange involves obligations that are not made explicit (Coleman, 1990). Economic institutional theorists (North, 1990, Stokes & Wilson, 2006; Coleman, 1990) conceptualized the economic institutions based on governments political actions, market structure, business opportunities, and rivalries among competitors, availability of credits facilities, transport for goods and other communication in general and availability of entrepreneurial training opportunities – human capital development aspect of enterprise.

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Salitet (2005) argue that entrepreneurial behaviour is never in short supply as it encompasses not only exceptional risk-taking behaviours – starting businesses, but also numerous, mundane activities both within and outside firms. What matters is quality of social and economic institutions. Lundstrom and Stevenson (2006) also reasoned that what is generally missing in countries with lackluster economic performance is not entrepreneurship per se but the right institutional context for entrepreneurship to take place to be socially beneficial.

Simply put, what matters for increased entrepreneurial behaviour, improved firm performance and economic development are the existence of comprehensive, dynamic business friendly rules that individual entrepreneurs follow and these rules get well defined and enforced. Lundstrom and Stevenson (2006) further make the valid observation that unless the formal rules are aligned with the informal social norms, individuals follow favour entrepreneurial activity – define and enforce property rights, the law of contracts, and are effectively enforced in an environment that operates under a rule of law entrepreneurs will always have difficulties in their firm performances.

Following the recognition of entrepreneurship as the engine of a nation's economic growth, Frederick Salitet (2005) posed this very fundamental question and provided the answer himself: "If entrepreneurship is never in short supply and is the ultimate source of economic growth, why are some countries, (or regions) are rich while others are poor?" Salitel argued that no one could play the games of football, tennis or chess without formal and informal rules. As Salitel put it, a game of football is not only defined by the ball,

the pitch, the players and the referees but also the rules that the players follow. Similarly, entrepreneurship cannot exist without rules: what matters to entrepreneurship is not only discovery, evaluation and exploitation of a profit opportunity but also that this process takes place in the context of rules that structure the way the economic game is played and played with integrity (Salitet, 2005:7). Thus institutions in society are the rules that provide the framework within which people interact. The advantages accruing to society by having dynamic, well enforced formally and informally aligned institutions are many. They include giving legitimacy to activities, providing guidance, allowing for routines to develop and ultimately reducing the uncertainty of social interactions. It also includes providing better social exchange and greatly reducing transaction costs and setting basic standards for goods and services in the market place (North, 1990).

Business competition is ubiquitous immediate outcomes of scarcity of resources. Thus organizations in an economy will always seek to engage with economic bodies such as governments, cooperatives, banks, traders, firms large and small, trade unions, buyers, regulatory agencies together with the nexus of other organisations in the external business environment for them to perform and survive in their sectors of business (Stokes & Wilson, 2006).

The importance of economic institutions to a firm's performance arises from the fact that business firms depend on the environment both for their inputs and outputs resources – in accordance with the resource dependence theory. Resource Dependence Theory (RDT) which concerns how the external resources of organizations affect the behaviour of

organizations was developed by Pfeffer and Salancik (1978). The basic arguments of the theory of resources dependence could be put in brief that: organizations depend on resources; these resources ultimately originate from organization's environment, the environment, to a considerable extent contains other organizations. The resources one organization needs are thus often in the hands of other organization; that resources are basis of power and the customers are the ultimate resources on which entrepreneurial firms depend in terms of revenue. Whereas RDT is one of the many theories of organizational development that examine organizational behaviour, it is not a theory that explains wholesome firm performance. However, resource dependence theory predictions are similar to those of institutional theory (Scott, 2003).

In the context of this study, the key organizations that have the resources so often needed by the micro and small livestock enterprises which are the subject of this thesis are the national and county governments, financial institutions such as banks, cooperatives, business associations, the market including other large firms, the labour market and education, technology and innovative systems (McCormick & Kimuyu, 2007). Business environment is unpredictable and turbulent full of uncertainty. Therefore, Pfeffer and Salancik (1978) argue that economic institutions emerge to take the initiative to address the problems of inefficiencies and resource gaps facing business firms. Routinely economic institutions help firms with information, skills, financial and linkages that are difficult to obtain in the open market.

McCormick and Kimuyu (2007:13) suggest that the key institutional support mechanism that economic institution provides to business firms include "policies, regulations, infrastructure, and programmes, practice and informal ways of operating." For instance, government policy is a major incentive and "rule giving" support mechanism. The other key economic institutions in this respect are the financial institutions. All businesses everywhere need financial capital. According to Marris and Somerset, carried out a study on the performance of African entrepreneurs in Nairobi in early 70's, among all the African businessmen they interviewed "whether in industry or commerce, whether government aided or eking out a livelihood as necessity entrepreneurs, in a country market – they said, lack of capital was their greatest difficulty, more than two-thirds mentioned it" (Marris & Somerset, 1971:179).

Therefore, the literature suggests that economic institutions contribute significantly to the entrepreneurial process, firm characteristics and performance. Although number of studies suggests that many reasons exist for determining firm performance, the entrepreneurial behaviour; motivations of individuals usually relate not only to the personal characteristics of entrepreneurs but the economic institutions and the firm itself (Kuratko & Hodgetts, 2007). Cooper (1993) pointed out the challenges of predicting firm performance include environmental institutional effects – the risk of scarce resource, of new products or services and narrow markets; the entrepreneurs personal goals and behaviours and founding process - the reasons for starting the business in the first place. In their configuration Stokes and Wilson (2006) have also demonstrated that micro business environment is made up of domains or the immediate environment of the firm

that consist of human resources, customers, financers, suppliers, competitors and the general public. To this end the actions or lack of support of economic institutions either enable or severely constraints firm's performance. Therefore, the economic institution which is one of the key elements of the PESTLIED framework is hence important for a firm's performance and their success in the market place. Thus this study focused on the economic institutions as an important factor that is likely to moderate how entrepreneurial behaviour affects MSEs performance. The concept of economic institutions have been operationalized in the nature, dynamism of government policies, nature of market structuring-structure-conduct-performance framework of the market, availability of opportunities, transport, access to financing and export international market and also training for entrepreneurs.

1.1.5 Firm Performance

For both academic scholars, policy makers and practicing business owners / managers, measuring firm performance is a critical issue. Small businesses are usually entrepreneurial ventures by reason of their owner's purposes (Edmunds, 1984). Micro and small business have trouble surviving, and their failure rates are high. Therefore it is in the interest of researchers, scholars, policy formulators as well as the owners / managers of micro, small and medium enterprises to appreciate how the early detection of business success or failure can be improved by the use of the appropriate measures of business performance. Performance measures for business firms, whether micro, Small, Medium Enterprises (MSMEs) or large help owners and executives of businesses improve the chance of business success or at least give on early warning of the probable

lack of success. It is important to clarify what is firm performance because if performance cannot be defined it cannot be measured, or even managed.

Bates and Holton (1995:18) have pointed out that: 'performance is a multi-dimensional construct, the measurement of which varies depending on a variety of factors". They also state that it is important to determine whether the measurement objective is to assess performance outcome or behaviour. When performance is defined as an accomplishment, it refers to it as outputs but performance also implies doing work as well as being about the results achieved. Bates and Holton (1995) believe that performance is behaviour and should be distinguished from the outcomes because they can be contaminated by systems factors.   A more comprehensive view of performance is achieved, if performance is seen to mean both as behaviours of individuals, entrepreneurs, teams, firms and objective results.

In general, a firm's business performance is defined as the "operational ability to satisfy the desire of the firm's major shareholders – owners" (Smith & Recce, 1999:153). Drucker (2002) also explained performance as the level of achievement or obvious outcome that is obtained which sometimes is used to measure positive result. Further, performance is also defined as the personnel's successfulness in achieving strategic objective from four perspectives: finance, customer, process, as well as learning and growth (Edmunds, 1984). These definitions suggest that organizational performance is the management's decision outcome to achieve particular objectives in effective and efficient way. Thus firm's performance is the quality and quantity of the achievements of

tasks, both by individuals and by groups or organizations. The five common indicators used for measuring performance that have the necessary preciseness in meeting demand are sufficient stock –inventory, keeping quality of the product, ability to maintain good relation with customers and providing affordable price for customers-customer and owner satisfaction (Landstrom, 2006).

Resource based view of the firm argue that firms should be understood, first as an administrative framework that link and coordinates activities of numerous individuals and groups, and second, as a bundle of productive resources, that have the characteristic of value, rarity, inimitability and the question of the organization (Penrose 1959; Barney, 1991). The adjective "business" has traditionally meant that a firm is an economically "financial" motivation, purposive social organization (Ansoff, 1980:15). In everyday language, performance means how well or badly something is done. A firm's performance is generally acknowledged to have two primary dimensions: growth and profitability. These two dimensions define "success" for a business firm – since success is understood as actual outcomes relative to expectation. However, there is no consensus on MSEs performance measures.

Regular indicators used in measuring a business firm's performance are financial and non-financial measures (Edmunds, 1984). The financial measures include profit, Return On Investment (ROI), and turnover-volume, number of customers, and growth that is comparative size of net assets in different points in time – time value axis. Non-financial performance measures focus on the number of employees, entrepreneurs, customers and

employees' level of satisfaction at different points in time and the durability of the business (Kirby, 2003). Growth, that is expansion, is seen as direct indication. Growth performance refers to the variances of financial and non-financial performance factors in between years. Survival is per se not sufficient as an indicator of entrepreneurship but it is indicators of durability on the market. Many researchers argue growth is the most appropriate performance measures of small and micro enterprises (Edmunds, 1984).

According to Edmunds (1984), there are four theoretical frameworks that exist to help evaluate firm measurements and effectiveness of usage of resources by firms. These frameworks are the Goal approach, System resource approach, Stakeholder approach and Competitive value approach. The Goal approach measures the extent a business organization attains its goals while the Systems Resource approach assesses the ability of a firm obtaining its resources. For the Stakeholder approach and Competitive value approach they evaluate performance of a business organization on its ability to meet the needs and expectations of the external stakeholders. Among these, medium size and large firms use Goals approach to evaluate their performance due to its simplicity, understanding and internally to focused information (Wood, 2006). The Goal approach directs the owners/managers to focus their attentions on their financial measures against the predetermined goals and time frame.

Micro and small enterprises, however, are often very reluctant to publicly reveal their actual financial performance. It is because of this experience with small and micro business owners that studies have deliberated on the need for subjective measures – for

example the five-point Likert Scale in empirical research in evaluating firm performance (Wood, 2006; Smith & Recce, 1999). Many studies of MSEs show a preference for subjective measures during the assessment of business performance due to difficulties in obtaining objective financial data. For instance, when one livestock trader in Garissa was asked, "How do you know when your business is doing well or badly?" He responded, "I know my business is doing well when my stock of livestock and my finances have increased and I know I am performing badly when my stock of livestock and the money in my account has drastically reduced."

This is a subjective approach yet effective measures of performance of MSEs. Subjective measures can be an effective way to examine business performance, as they allow comparison across firms, and contexts, such as industry type, time horizons, cultures or economic conditions and geographical settings" (Wood, 2006:153). Furthermore, studies have also demonstrated that subjective measurements are strongly correlated with objective measurements in terms of absolute changes in return on assets and sales over the same time period. "For example, the correlation (r) of objective and subjective measures to total sales gives a value for (r) of 0.8 and to return on assets gives a value of 0.79 (Dess & Robinson, 1984:15). Thus these findings support the validity of performance evaluation through subjective measures.

Therefore, since MSEs rarely capture real time financial information due to various reasons including, privacy of information, inadequacy of literacy among owners of MSEs, or have incomplete records, this study used a mixed of 5-point Likert scale

questionnaire and objective measurements to determine firm growth, profitability, sales volume, export activities, owners' satisfaction and age of the firm as measures of firm's performance. In any case the literature on MSEs suggests that various business performance measures can be organized, interfaced and managed. Thus, the literature strongly suggests that subjective evaluations are appropriate alternatives to objectives measurement which are even difficult to access or even obtain from MSE firms themselves (Dess & Robinson, 1984). Based on a review of the literature on firm performance, and the analysis of entrepreneurial behaviour this thesis makes the proposition 1: growth, profitability, sales, volume, export activities of the firm, age of the firm and satisfaction of the entrepreneurs are salient measures of MSEs performance.

1.1.6 Micro and Small Livestock Enterprises in the Economy of Kenya

The small business sector and entrepreneurship are by the day getting more recognized as key elements in the national economic growth of Kenya. Comparisons of the profiles of the business population in the country indicate a clear and continuing trend towards a larger number of small and micro firms with a corresponding reduction in the numbers of larger firms (GoK, Economic Survey, 2013). Despite the growth in numbers, micro and small businesses remain a turbulent part of the economy of Kenya with large movements, in and out of the sector each year. The reasons for individuals starting new micro or small business may be because of economic need – unemployment or simply because they have always dreamed about opening businesses of their own. Majority of people start and run new small venture because they lack occupational choices to earn any employment income. Where there are employments opportunities, individuals can either operate a firm and earn profit or take some outside wage where the wage is competitive (Parker, 2004).

Where the opportunity to earn wage is almost zero, then individuals will move in droves to be self-employed and start their own micro and small businesses, as risk taking residual claimants. That is what is observable in the present economy of Kenya. Many people operating small businesses even when the likelihood of long term success is low.

The term 'micro and small enterprises' is used to describe certain groups of enterprises and how they are run. This suggests that this class of enterprises have certain characteristics and management issues in common that distinguish them from other organizations. It is hard to define in practice these characteristics; and even harder to draw a precise line that separates small from medium size firms (Kirby, 2003). Small businesses do not conform to any neat parameters. Much depends on the industry in which they operate, region and the personalities and aspirations of those that run them. According to Kirby (2003:8) these factors vary from manufacturers, retailers, professional managers, family teams, to self-financed travelers and artisans content just to make a living. It is this diversity which makes generalizations of any and including a definition of the small enterprise sector "extremely difficult and often unwise." Some definition however focuses on numerical parameters in order to differentiate between smaller and larger business firm types.

The micro and small enterprises Act of 2012 defines MSEs firms by their volume of annual sales and the size of their employees. The Act defines micro enterprises as of those business employing less than 10 people, with annual turnover not exceeding five hundred thousand Kenya shillings and small enterprises as those with 10-49 employees

whose annual turnover ranges between five hundred thousand Kenya shillings and five million. However, the Act is silent on the balance sheet values of Kenya's MSEs. Just for comparison purposes only it is observed that, the countries in the European Union (EU) define micro enterprises as those with less than 10 employees just like Kenya, with annual turnover not exceeding two million Euros and with a balance sheet total also not exceeding two million Euros. They define small businesses as those with 10-49 employees just also as Kenya, with annual turnover not exceeding ten million Euros and with a balance sheet total of ten million Euros (Stokes & Wilson, 2006). MSEs may be difficult to define but most are easy to recognize once they are seen in operation.

MSEs have three essential non-quantitative characteristics: they are managed by its owners, in a personalized way, have a relatively small share of the market in economic terms and are independent in the sense that they do not form part of a large enterprise and their ownerships are relatively free from outside controls in their principal decisions (Stokes & Wilsons, 2006; Kirby, 2003).

Kenya's micro and small enterprises Act of 2012 has created an 18 member body of what it calls Micro and Small Enterprises Authority to have offices in all the 47 counties in the country. The Authority is established to ensure MSEs in the country are registered by a registrar established for the purpose. The wisdom of the MSE Act 2012 for putting the two types of businesses; the micro and small together in one group named micro and small enterprises (MSEs) arises from the fact that the two kinds of enterprises face similar opportunities and challenges; especially when compared with large businesses.

According to the MSEs Act, there are four kinds of MSEs; trade, farm, service and manufacturing/industry. Further the Kenyan MSEs Act, requires the MSEs Authority to organize MSEs into Associations with members of not less than 35 MSEs and umbrella organizations. Umbrella organizations are Authority registered organizations which bring together different associations of MSEs under one roof so that they can have single powerful voice for their common interest as MSEs and also provide better services to members (GoK: MSE Act, 2012) This way majority of MSEs which are currently in the informal sector are expected to move from the informal sector into the formal sector. The government will then be in a more strategic better informed position to formulate sector specific, beneficial policies and incentives.

Studies have consistently demonstrated the importance of MSEs to the economies of developed and developing countries. Through the promotion of competition and dynamism, MSEs can complement the efforts of the state to achieve economic growth, social stability, employment creation, equitable distribution of goods and services, poverty reduction in rural and urban areas (Daniels & Mead, 1998; AFDB 2005). MSEs play a pivotal role in Kenya's economy.

According to the 2015 Kenya's Economic Survey Report, the economy created 799,000 new jobs, with the Micro and Small enterprises sector contributing 693,000 (83%) while the public sector created only 17,000 (2.5%) jobs. The number of people in employment rose from 13.5 million in 2013 to 14.3 million in 2014. Of this, 82% or 11.7 million were in the Micro and Small Enterprises sector. These statistics therefore confirms the critical

role micro, small and medium enterprises play in the Kenya's national and regional, or the economies of the 47 counties. The Economic Survey of 2013 also reports that employment recorded in the informal sector increased from 8 million employees in 2008 to 10.5 in 2012, 31.25% increase or 500,000 per year, 2.5 million in five years and that about 98 percent of all businesses are in the category of MSEs. However, in the formal sector employment increased by only 3.5% during the same period (GoK, 2013).

According to the governments seasonal paper No. 2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction, MSEs sector employs 5.1 million persons in 2002 as per the 2003 Economic survey and this translates in 675,000 jobs per year. This demonstrates that with the improved business environment, proper development strategies, the MSE sector is capable of providing and supporting the government targets of creating more than 500,000 jobs per year for a population of 40 million, (Kenya Vision 2030:2008).

The MSEs sector is growing fast in Kenya, reflecting the critical role it is playing in the economic and social life of the people. The numbers of enterprises in the sector have grown from 910,000 in 1997 to about 1.3 Million in1999, growth rate of 7% per year. Out of the 1.3 million enterprises in 1999, about 66% were located in the rural areas, while women owned 48% of the enterprises.

According to the Economic survey of 2013, 64.3% of the MSEs were in trade, 14.8% in services, 13.4% were in manufacturing, while 7.7% were involved in other activities. Out of the 48% enterprises owned by women, 75% were in trade and services sub sectors (GoK, 2005). According to Kenya's Statistical Abstract of 2008, 595, 778 businesses were registered with the Government as at 31st December 2008, employing about 2 million workers, an average of 4 employees per enterprise (KNBS, 2008). Out of all the registered business, only 56 (0.011 per cent) were public limited liability companies, 16,065(3.24 per cent were private limited liability companies and all the rest, (96.7 per cent) were business of sole proprietors belonging to the category of micro and small enterprise with annual sales of each Kshs 5 million or even less.

1.1.7 Micro and Small Livestock Enterprises in the North Eastern Kenya Economy

The importance of the livestock sector in Kenya can partly be explained by the fact that 73 percent of the country is classified as arid, making it unsuitable for crop production (Knips, 2004). Agriculture is the core sector of the countries and societies in the Horn of Africa, namely the seven member countries of the Intergovernmental Authority on Development (IGAD): Kenya, Somalia, Ethiopia, Uganda, Sudan, Djibouti and Eritrea (Knips, 2004). Within the agricultural sector a large contribution, on average 57 percent of the GDP of the IGAD member countries come from livestock. Livestock's contribution to overall GDP ranges between 10 to 20 percent, in the case of Kenya, it is 12%. The importance of the livestock economy in the IGAD countries in general and Kenya in particular is attributed to the fact that major proportion of the land in the region, in the case of Kenya 73 percent, is classified as arid and semi-arid (ASAL) leaving

livestock production as the only viable form of non-capital intensive land use.

It is estimated that the livestock sector contributes at least Ksh150 billion annually to the Kenya's economy even though Kenya is a livestock deficit nation unlike Ethiopia and Somalia. Kenya's livestock sector, although informal, is a multi-billion-shilling industry, Gathoni (2014). According to *Mifugo ni Biashara* Project in arid and semi arid land (ASAL) the national per capita meat consumption in urban areas is 18.5kg/yr with a national average of 10.8kg/yr, which is high given the estimated average for sub-saharan countries at 9.4kg/yr. The figures from the Ministry of Agriculture, livestock and fisheries indicate the export of meat and meat products grew by eight percent in 2013 to attain a production of 424,000 metric tonnes, valued at Ksh 80 billion. About 94 percent of livestock exporters are small scale farmers / entrepreneurs mainly from the North Eastern Kenya and Coast regions.

Presently, Kenya's meat export markets are Egypt, Kuwait, United Arab Emirates, Tanzania and DRC Congo (Sanga, 2014, The Standard, Sept 2: P22). The world health organization report indicates that the world's livestock sector is growing at an unprecedented rate due to population growth, rising incomes and urbanization, with annual meat production projected to increase from 218 million tonnes in 1997 – 1999 to 376 million tonnes by 2030 (Gathoni, 2014). This drives the sectors potential growth rate. Therefore the economy and social activities of the population of North Eastern Kenya depend heavily on income from livestock (Knips, 2004). For the owners, camels and cattle are not just some assets. There are emotional, social attachments to these treasured livestock. In terms of socio-economic quality of life ratings, the three counties

of North Eastern Kenya, a recent study called Socio Economic Atlas of Kenya, 2014, revealed were doing relatively badly (GoK, 2014). Comparatively according to the Socio-Economic Atlas of Kenya, only 2,000 households or 1.6 percent of the households in Mandera have access to TV; only 1.5 percent has piped water in Wajir, and the three counties as a whole have poverty incidents of 86 percent, making them the counties with the poorest access to modern service and conveniences in the country. The three counties also lead in both child and maternal mortality rates. It is in that background that the performances of MSEs in the livestock sector in the North Eastern Kenya was investigated by this study. The Pastoralists, who are normally the owners and suppliers for trade of camels, cattle, goats and sheep consider the first two livestock species, camels and cattle as capital asset and the later two, goats and sheep "small exchange" – current liquid assets. The most prized livestock is the camel with an average price of Kshs. 84,000 ($ 1,000) per head followed by the cattle ranging from Kshs. 20,000-50,000 at Garissa livestock market.

The North Eastern Kenya region consists of the three counties of Garissa, Wajir and Mandera (see Map in Appendix III). Mandera borders Ethiopia and Somalia while Garissa and Wajir counties share a long border with Somalia. Besides the local supplies, the other livestock traded in the markets of the three counties are brought to the local markets by pastoralists and traders across the border from livestock net exporting countries such as Ethiopia and Somalia who are attracted by stable markets. The livestock owners, pastoralists and traders live in a remote region with the attendant environmental, cultural, ecological and resources challenges which all justify this study.

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The capital investment of micro scale traders range from Ksh 10,000 to 400,000, small size traders from Ksh 400,000 to 2.5million and medium size traders invest up to Ksh10million (GoK Garissa County Development Plan, 2010).

Cash income from livestock business is derived from the two streams of domestic sector and exports by larger firms. Among exports of livestock products, skins and hides have the largest share of exports followed by live exports to the Gulf nations in the Middle East (GoK Livestock Strategic Plan, 2010). About 90 per cent of Kenyans camels population comes from only North Eastern and Rift Valley regions, while on average 45% of all the nation's camel, cattle's, goats, sheep and donkey, all totaling 67 million, according to 2010 census, are found in the Rift Valley. The three counties of Garissa, Wajir and Mandera together have the highest population of camels, 1.7 million, representing 57.3% of the national population of 3 million and 2.7 million indigenous cattle representing 19% of the total national population. That is a conservative 1.4 head per capita (GoK, 2010).

Wajir is the camel capital of Kenya. Wajir County has an area of 56,685sq km with a population of 670,000 according to the population census of 2010. It is located approximately 700km North East of the capital city of Kenya – Nairobi.   Wajir has a major international airport which can help in the exports of livestock products to countries such as those in the Middle East. It is for this reason that the County Government has recently undertaken a major project of building an advanced abattoir in the county costing over Ksh 200million (Daily Nation 30 July 2014). Given the

catalyst role played by MSEs in the socio-economic lives and prosperities of societies, it is only appropriate for scholars to understand the entrepreneurial behaviors of the livestock trading firms, their social and economic institutional contexts and what relational practices affect their business performances.

Livestock perform multiple functions in the economy of North Eastern Kenya. Livestock is source of food, import for crop production and soil fertility management, raw materials for industry, cash income as well as in promoting savings, social functions and employment. Pastoral livestock trade begins in remote villages where "bush traders" procure animals from pastoral households in locations and sub-locations markets. It has been observed that animals change hands seven times before they reach the consumer as beef as "there are bush traders, trekkers paid to move the animals, middlemen in the various markets, brokers, transporters and butchers, which translates to low prices for the livestock keepers" (Gathoni, 2014) . These animals are brought to primary markets such as Mandera and Wajir. Garissa is a large secondary market that hosts animals from both Ethiopia and Somalia primary markets. From Garissa livestock are transported to the terminal markets of Nairobi and Mombasa. While livestock are usually trekked from village or location to primary markets, traders truck their animals to Nairobi and Mombasa. Livestock are generally trekked to coastal ranches, especially when large numbers of animals are involved. Security and costs determine the decision to trek or truck animals. Although trucking is costly, trekking cause serious security risks (Mahmound, 2010).

The County of Garissa which 44,175 square kilometers, just like Mandera and Wajir Counties is 90 per cent classified as rangeland, shares over 500 kilometers of border with Somalia and has a population of 623,060 (KG, 2010). It is located along Eastern boarder of River Tana 420 kilometers North East of Nairobi (see Map Appendix III). The poverty level is 55.5% and main economic activities are livestock keeping and trading, bee-keeping, sand harvesting and mixed farming along Tana River. (KG Garissa District Development Plan 2009-2013).

Because of its relative proximity to Nairobi, Mombasa and refugee camps of the people who fled the stateless Somalia, Garissa has become a magnetic centre for robust and vibrant networks of livestock cross-border traders in camels and cattle's, groceries such as sugar and cereals, all kinds of clothing textile or apparels and veterinary drugs. Due to the stateless of Somalia, many of the pastoralists, livestock herders living along Kenya-Somalia border, bring their livestock to Garrissa for trade so much so that "a Western tourist in Nairobi who eats at one of the city's popular 'Nyama Choma' (barbecued meat) establishments may be unknowingly consuming meat from conflict ridden Southern Somalia. The likelihood is high since an estimated 16 percent of the beef consumed in Nairobi comes from the ungoverned Somalia borderlands and its vast rangelands", (Little 2003: p83). This has been the genesis of boom and bust business growth in Garissa. Eleven years hence, since 2003 nothing much has changed. In October, 2013 the researcher visited Garissa livestock market on a market day and there were 5,200 heads of cattle at the Market on that Wednesday alone. Majority of cattle were from Jubaland region of Somalia.

Kenya Vision 2030 (p.28) recognizes livestock trade as one of the priority sectors in "moving the economy up the value chain". Livestock trade and production is one of the six sectors contributing 57 percent of the country's GDP, and employing half of the people in the informal sector. The other five are: tourism, agriculture, finance, wholesale and retail trade and Business Process Outsourcing (BPO). However, in-spite of this significant role played by the livestock trade, no formal study could be found on livestock network trading in Northern Kenya.

According to the records of the Ministry of Livestock in Garissa and County Government Authorities there, in 1997, the Garissa market generated Kshs. 659.9 million or US$11.8 million in cattle sales alone, involving 90,700 heads of cattle. In 2009 cattle sales plummeted to near pre-1991 levels because of drought in Garissa County. To avoid the effects of the drought, most herders moved their livestock, particularly cattle and camels to Somalia, the Tana River District and into protected areas such as the Tsavo National Park, Kora National Park and Meru National Park (Mahmoud, 2010). This demonstrates the extent to which livestock sector is vulnerable to change of climate and requirements of institutional safeguards.

There are four categories of MSEs traders of cattle and camels, besides the pastoralists, who are the source owners. There are agents who are called *wakils*, there are brokers who are called *dilaals*; there are bush traders who are called *ganacsade duurs*, and town traders who are called *ganacsade Balat*, and the medium size entrepreneurs who are known locally as *afar jeble* or those with the four pockets. The agents, brokers and the

bush traders can be grouped as the micro and while the afar *jebles* are the small size entrepreneurs; opportunities self-employed livestock traders with deep networks, market knowledge, financials and social capital. Livestock trading involves a lot of capital and as a result some of the traders have to initially act as agents for others (assisting them in buying and transferring livestock from other markets) as brokers in the same market – building up financial and social capitals in the form of trust of entering into partnerships with others in order to participate in the trade. The livestock trade is more than commercial operations and has social and political benefits. The cross-border Kenyan-Somali and Ethiopian clan relationships that always under pinned the trade increasingly giving way to multiple clan business enterprises.

These involve extensive networks of people and help to build trust and integration among them. Most of the livestock are produced by smaller holder pastoralists and farmers and marketed by private entrepreneurs operating a marketing chain involving collection, regrouping and terminal markets. The costs and benefits of livestock trade are on constant shift because of supply, seasons, livestock health, issues of security, transportations and handling costs. The two main modes of livestock transportations are trekking and trucking. The two modes have their own inherent costs and liabilities such as security, routes, loading and offloading charges and numerous receipted and un-receipted charges by different levels of authorities.

Most of the cattle sold at Garissa are destined for Nairobi and Mombasa. Together these cities, the two largest in Kenya, account for more than 90 per cent of the market with Nairobi alone accounting for about 70 per cent. On Wednesday June, 4 2014, the researcher was at Garissa livestock market and on that day supply of cattle was low, only few goats and sheep were also brought to the market. The traders and suppliers reported that the prices were low and that was why the market appeared relatively without animals. As can be seen from the pictures below (figure 2) only few trucks were at the market to pick cattle on that day. The quality of the Kenyans trucks as compared with those used by Ethiopian livestock traders, it is apparent that the Ethiopian are more resourced and connected for export markets in the Middle East. It is in view of the foregoing discussion and contextual circumstances facing the livestock trading business in Northern Kenya and the valuable contribution of the MSEs in the sector to the regional and national economy, that this study found appropriate to utilize the theoretical framework of entrepreneurial behaviour, social and economic institutions in order to understand, explain and predict the performance of the MSEs in the sector.

1.2 The Research Problem

Many studies focusing on the effects of entrepreneurial behaviour on firm performance have argued for direct relationship between the two (Covin & Slevin, 1991; Delmar, 1996, Kirby, 2003). Knowledge of predictors of new firm or existing firm performance is unquestionably of interest to entrepreneurs, to those who provide advice to entrepreneurs as well as to investors in new or existing ventures. The past studies have demonstrated that entrepreneurial behaviour such as locus of control, resource leveraging, thrifty and

risk taking behaviors have positive effects on firm successful performance. For instance Dyer, Gregersen and Christensen (2009) found that firms with more entrepreneurial behaviour orientation performed better than those that were more conservative or were risk averse. However, it is observed that entrepreneur behaviour is only one internal dimension of business performance. An entrepreneur may be behaving highly and appropriately, but his or her business performs poorly or even fails because of unforeseen events or due to institutional factors not controllable by the entrepreneur.

Firm performance as measured by the ability to grow or at least survive is one of the most central problems of entrepreneurship because the very existence of business depends on it. Entrepreneurship research is highly heterogeneous field; every study is more or less conveniently related to a narrow, single perspective (Lundstrom & Stevenson, 2006). Businesses are entrepreneurial ventures by reasons of their founders' objectives. The ultimate dependent variable is, therefore, firm performance, success in the market place which is a multidimensional. The major goals of research on entrepreneurs behaviour are "to explain, predict and control-shape and change behaviour at the individual and team level" (Bird et al., 2012).

The individuals are defined by the dispositions of the entrepreneurs, which are their abilities in terms of resources, knowledge, skills and motivation. Past studies have rightly found that firm performance is not possible without a minimum level of talent, resources and effort being met by entrepreneurs. Therefore there is direct interaction between ability, behaviour, motivation and performance (Delmar, 1996, Covin & Slevin, 2001).

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Several studies, however, indicate that the relationship between entrepreneurial behaviour and firm performance is moderated by institutional conditions (Bird et. al, 2012; Covin & Slevin, 2001). Whereas some of these studies have conceptualized a direct relationship between entrepreneurial behaviour and firm performance, the results from their findings have been inconclusive (Fisher, 2012; Kirby, 2003). Furthermore, many of these studies focused only on two variables relationship (Orero, 2008; Khayesi, 2010).

Moreover, there is a dearth of studies examining the relationship between entrepreneurship behaviour and firm performance in Kenya. Extant studies, utilizing of diverse models, have demonstrated that the external environment in form of social and economic institutions has a strong, if not deterministic influence on the existence and effectiveness of entrepreneurial behaviour (Covin & Slevin, 1991). Certain institutional characteristics can elicit entrepreneurial behaviour on the part of business firms. A firm's ability to engage in entrepreneurial behaviour depends, in part, on its resources and competencies. Resources and competencies are the spring boards of a firm's action. "They can serve as either facilitators or deterrents of entrepreneurial behaviour, and influence the specific form of entrepreneurship in which the firm engages" (Covin & Slevin, 1991: 15). In a resource penurious environment, entrepreneurs engage in behaviours best fitting the circumstances.

These emerging entrepreneurial perspectives include effectuation, bricolage and causation (Fisher, 2012). Few of the past studies have applied these approaches to help understand firm performance. Firstly, information on the value chain of the MSEs in the

livestock sector, including its context is scanty. Secondly, in this study we further take into account the fact that combined entrepreneurial and firm behaviors, social and economic institutions including how industry structure affects the livestock business performance in North Eastern Kenya are not documented. This study, therefore, intends to fill this knowledge gap. Local empirical studies on livestock businesses are rare.

Livestock businesses have specific constraints that make a study such as this one relevant research undertaking. Firstly constraint these livestock trading MSEs face is the liability of operating in a rural market such as North Eastern, where there are few if any "crown jewels" that is, resources that in the long term can be the basis for successful firm performance. Secondly, a specific challenge faced by these MSEs is the unique impact that societal cultural influence, state policies, market structure and drought have on the supply chain of their products, the livestock, camels, cattle, sheep and goats (Tura et al., 2012). The products, the livestock themselves have unique characteristics. During drought, livestock supply increases owing to distress sales by pastoralists. Unlike other tradable commodities, animals are alive and have special needs such as water, feeds and veterinary care.

Thirdly, performance and survival rates of these businesses are constrained by human, physical and social capitals and institutional weaknesses. Majority of owners of livestock trading MSEs in North Eastern have inadequate education levels, lack business, finance and managerial skills and suffer from insufficient physical capital and lack of linkages to major networks and large business firms (Mohamoud, 2010).

These challenges give rise to entrepreneurial behaviour among livestock traders that can best be anchored in theories of effectuation and bricolage of entrepreneurial behaviour. The earlier studies (Fisher, 2012, Kirby, 2003, Covin & Slevin; Delmar, 1996) have argued that social and economic institutions are two moderating variables that can affect the relationship between entrepreneur behaviour and firm performance. During the course of their businesses, firms are shaped – constrained by the formal rules, shared information sequences and often taken for granted - assumptions that are direct from regulatory structures, government agencies, laws, courts and other external and internal demands of which business firms are expected to conform. In this process, firms need resources to respond to the demands of the market and institutional requirements. The process of acquiring and using resources to create value for customers is an expensive, complex undertaking which could constrain the performance of any firm regardless of the owners' entrepreneurial behaviour.

The past studies have focused on single lens perspectives (Pavanello, 2010; Orero, 2008; Khayesi, 2010; Maalu, 2010). The study by Khayesi (2010) utilized social capital as its theoretical underpinnings and found that there was direct relationship between social capital, resource accumulation and firm performance. The research of Orero (2008) similarly utilized social capital theory as its theoretical anchorage to study traders on the Kenya-Tanzania border. The study found out that the size of social and physical capital of the traders determined whether they used formal or informal trade routes. The FAO and ILRI study by Pavanello (2010) on general challenges facing livestock trading businesses utilized theoretical lens of market, industry, structure, conduct, and

performance (SCP) to examine the livestock market performance. The FAO study had conceptual, contextual and methodological gaps.

The studies by Khayesi (2010) and Orero (2008) had contextual and conceptual gaps as their studies were done on areas other than livestock business and did not utilize cognitive and emerging theories of entrepreneurship to evaluate behaviour and performance. Firms are like open systems which are exposed to external factors of which social and economic institutions are part thereof. Ultimately, therefore, firms derive their resources from their institutional environment. The results of the past studies (Kirby, 2003, Covin & Slevin, 1991; Maalu, 2010) point to the needs to study the relationship between entrepreneurial behaviour and firm performance. Such studies should be done, in the presence of social and economic institutions whereby firms interact closely in their day to day activities. On a similar vein it is necessary to do the study in the Kenyan livestock enterprises sector owing to the dearth of previous entrepreneurship studies of the industry and because of its rich dynamism.

Against this background, this study addresses those highlighted inconsistencies and knowledge gaps by establishing the effects of social and economic institution on the relationship between entrepreneurial behaviour and firm performance by answering the broad question. How do entrepreneurial behaviour, social and economic institutions individually and jointly influence the performance of micro and small livestock enterprises in North Eastern Kenya?

1.3 Research Objectives

The main objective of the research is to determine the relationship between entrepreneurial behaviour, social and economic institutions and performance of Micro and Small livestock enterprises in North Eastern Kenya.

The specific objectives are to:

i)   Establish the relationship between entrepreneurial behaviour and micro and small enterprises performance.

ii)   Determine the moderating effect of social institutions on the relationship between entrepreneurial behaviour and MSEs performance.

iii)   Establish the moderating role of economic institutional activities on the relationship between entrepreneurial behaviour and MSEs performance.

iv)   Establish the combined effects of entrepreneurial behaviour, social and economic institutions on performance firm of micro and small livestock enterprises.

1.4 Value of the Study

This study is about entrepreneurship business research and may be defined as undertaking systematic investigation to find out about the performance of micro, and small enterprises in the livestock sector in North Eastern Kenya using social, institutional and resource based perspective. In the past two decades, debate about the value of business research has focused on how it can meet the double hurdle of being both theoretically and methodologically rigorous, while at same time embracing the world of practice and being of practical relevance (Gibbsons, et al, 1994). The primary value of this study rests on the very heart of the mission of any university school of business which is to create value for

people, societies and nations. Such a mission is timeless. Gibbons et al (1994) in particular emphasized the concepts of Mode 1 and Mode 2 knowledge creation. Further, Huff and Huff (2001), while building on the idea of Gibbons et al (1994) argued for a third academic career roads and called it Mode 3.

While mode 1 knowledge production focuses on research in which the questions are driven and answered purely by academic interests, mode 2 emphasizes a context for research governed by the world of practice, highlighting the importance of collaboration both with and between policy makers academics, and practitioners" (Saunders et al 2009:6). Mode 3 goes further and pays more attention on grand theories, and on an appreciation of the human aspiration, condition as they are and as they might be their purpose being to assure survival and promote the common good at various levels of social aggregation (Huff & Huff 2001:53). Whereas this study is an example of Mode 2 of knowledge production, an example of mode 3 kind of knowledge production is the November 12, 2014 German based European Space Agency's $ 1.6 billion Rosetta Space Mission historic successful landing of the 100kg probe, robot, Philae on the 300 million kilometer away comet, speeding at 300,000 kilometer per hour around the sun, and weighing 10 million metric tonnes.

In view of systems approach to knowledge development and accumulation, the value of this study cuts across all the three Modes of knowledge creation and knowledge application, albeit to different extent, having undertaken systematic research into the performance of the MSEs in the livestock sector in North Eastern Kenya in accordance

with the framework Triple Mode concepts of Gibbons et al (1994) and Huff (2001). The micro and small enterprises sector in Kenya plays a crucial role in the national economy. As indicated in 2007 Economic survey, total employment recorded in the sector increased from 3.7million employees in 1999 to 6.8 million in 2006, an increase of 84 percent, while the public and the large private formal sector employees increased only from 1.74 million to 1.86 million during the same seven year period, a mere, 0.07 percent, less than a one percent increase in seven years (GoK: Baseline Survey, Report, 2008).

The trend of relative employment ratios has remained the same ever since in favour of micro, small and medium enterprises. Therefore, performance of MSEs is seen as a measure of the country's economic health, GDP growth, social stability, poverty alleviation and job creation in both rural and urban areas. However, MSEs face myriads of contextual problems that severely constraint their ability to be competitive, grow, survive and even move into the export' market. The MSEs transition from informal sector to maturity, sustainability, to higher level of formality is according to the Governments own and World Bank's funded MSME's Competitive Project, (2008), critical for growth and for increased access to market, financial services, contract enforcement and security.

For example MSEs are internally challenged by inexperienced management, lack of financial resources – under capitalization, excess capacity in the sector; little sector self regulation and high level of competition. Externally, the MSEs also face institutionally embedded barriers with business environment component such as licensing, registrations, taxations and access to finance and market conditions. Consequently, a number of past

studies have focused on how MSMEs competitiveness and performance could be improved using institutional framework approach (Maalu, 2010; Khayesi, 2010; Orero, 2008). The importance of the role and contributions of MSEs to Kenyan's economic and social welfare notwithstanding, comparatively not much is known concerning how entrepreneurial behaviour affects performance of MSEs especially in the presence of social and economic institutional factors acting as moderating variables. The study was therefore, conceptualized to take into account external socio-economic institutional factors which may have influences on the entrepreneurial – MSEs performance relationship.

The fundamental thesis was that the success and performance of entrepreneurial behaviour was contingent upon external social and economic institutional environment and hence that MSE performance was much dependent on the attributes of these institutional variable dynamics as well as the nature of the rural environment in which they are located. This study, therefore, by the uses of entrepreneurial behaviour, social and economic institutional theory and resource based view as its foundational, anchored theories to examine the performance of livestock enterprises operating in North Eastern Kenya will contribute and enrich the theory and practice of entrepreneurship as a scholarly domain.

The growing interest in the study of entrepreneurship is a response not only "to the belief that entrepreneurial activities result in positive macroeconomic outcome but to the belief that such activities can lead to improve performance in existing firms" (Covin & Stein, 1991:19), such as those in the livestock sector in North Eastern Kenya. The findings from this study are valuable contribution towards filling the apparent knowledge and information gaps regarding the internal and external environment variables that drive the performance of MSEs in the livestock sector. The audiences of this study are academic institutions, policy makers and practicing entrepreneurs. They can put to great use the findings of this study to achieve theoretical and practical advantage. With respect to theory, the study has had more light and new focus on the role of entrepreneurial behaviour on business performance and the extent to which social and economic institutional factors moderate their relationship, given the rural setting in which majority of MSEs are located.

This study has specifically integrated the theories of entrepreneurial behaviour, institutional and resource based view to demonstrate how the independent variables influence MSEs performance. This perspective has theoretically grounded influence on how all the combined variables affect MSEs performance. This is therefore, an important contribution to theory development of the discipline of entrepreneurship. Additionally, this study will improve the scholars understanding of the concept of entrepreneurial behaviour from the dimensions of need for achievement, motivation, legitimacy, opportunity identification, risk taking, locus of control, tolerance for failure, being proactive and effectuation behaviour. This study will further provide opportunity for

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better appreciation of the concepts examined. It is expected and hoped that this study is of sufficient quality and scope to form a basis for literature reviews and provoke future studies in the field of firm performance and entrepreneurship in general.

The value, meaningfulness and usefulness of this study is not whether it accounts for everything that is happening in the livestock trade sector in North Eastern Kenya. The test is whether the study provides a more useful lens through which to view the performance of MSEs in the livestock sector. The interest in entrepreneurship policy has been escalating over the last ten years. One of the compelling driving forces behind these interests is the growing body of research on the relationship between entrepreneurship on one side and economic growth, job creation, firm failure and regional development on the other. Lundstrom and Stevenson (2006) noted that the research in three areas can come together to influence policy thinking in the area of entrepreneurship and small business development: one, research on the entrepreneur, two, research on the enterprise and three, research on the environment for entrepreneurship and this includes institutional dynamics including rural, urban dichotomy.

This study has brought the three areas together and thus becomes suitable for policy makers. The MSEs regulatory authority such as Ministry of Trade and Enterprise Development and the Micro and Small Enterprises Authority will be able to develop institutional frameworks for the MSEs in the livestock sector based on the empirical findings from the study. Finally this study provides much needed empirical information that can be used by MSEs planning and development agencies, NGOs and practitioners

decide to help them improve the performances of the firms in the sector. The past literature examined in the field indicates that despite the importance of MSEs in the regional and national economy, few studies similar to this were done on MSEs in the livestock sector. This study, therefore, provides much needed, pioneering empirical information and data that will assist MSEs owners, development partners, all kinds of researchers, business students and state agencies responsible for the development of entrepreneurship in Kenya.

This study will be useful in enabling MSEs practitioners to determine key issues that enable or constraint the performance of their respective firms with objectives of upgrading their performances. Therefore, the study makes valuable contribution to theory, understanding, scholarship, policy making and practice of entrepreneurship and small business development in the sector of livestock.

1.5 Definition of Terms

Bricolage - This is "the make do" approach or logic of micro businesses which apply combination of resources at hand to new problem and opportunities when they are faced with resource scarcity situations.

Business - is the collection of private, commercially oriented – profit oriented-organizations, ranging in size from one-person enterprises, microenterprises, hawkers to corporate giants.

Conceptual framework - This is the conceptual structure of a study which shows the relationships of the study variables, in this case entrepreneurial behaviour, social and

economic institutions and the performance of the studied MSEs.

Economic institutions -These refers to the systems, statutory laws and government policies that direct and influence the way individual businesses operate, perform and ultimately, the organization of business activities in general.

Effectuation – This is the decision logic that is used by MSEs owners, where they do not engage in planning or deliberate strategic approach, the causation approach but intuitive emergent approach.

Entrepreneurs - These are persons who undertake the formation and operation of enterprises for commercial purposes.

Extrapreneurship - This is the impact a government has at micro and macro level - both positive and negative - on the success and failure rates of small enterprises.

Entrepreneurial – This is an adjective which describes how the entrepreneurs undertake what they do. The fact that scholars use the adjective suggests that there is a particular style and behaviour, to what entrepreneurs do.

Entrepreneurial Behaviour – this is the concrete, observable actions of individuals in the process of starting business firms, usually the first six years in the life of a firm. Entrepreneurial behaviour can be at the individual and also at the firm level. For micro and small enterprises the two are synonymous.

Entrepreneurship – This is the process in which the entrepreneurs engage through which new venture are created as a result of the enterprise.

Firm performance – This is the operational ability to satisfy the desire of firm's major owners in terms of sales, growth, profitability, survival and satisfaction.

Institutions – These are the "rules of the game", the norms individuals follow in their

daily lives, the formal and informal and their enforcement systems that impacts on business performance.

Livestock – These are the class of species of animals used by communities for their livelihood. The most popular categories are camels, cattle, goats and sheep.

Micro and small enterprises (SMES) - These are classes of enterprises whose workforce is less than 10 (micro) and have employees of between 10 and 49 according to Kenya's micro and small enterprises Act, 2012.

North Eastern Kenya - This is the region of Kenya comprised of the three counties of Garissa, Wajir and Mandera, bordering the Republic of Somalia.

Organisations – These are the structured groups of individuals bound by a common purpose to achieve predetermined objectives.

Social institutions – These are communal values and norms among the people as individuals and as groups within society. The rules of some of social institution derive their legitimacy from the societal culture, religion, family, community, ethnic and gender based values.

Society – as a community, a nation, or a broad groupings of people having common traditions, values institutions and collective activities and interests which influence MSEs performance.

1.6 Chapter One Summary

This chapter has presented the background of the study, the study variables and analysed selected yet relevant past studies that have focused on entrepreneurial behaviour, institutions and firm performance. Additionally, a brief theoretical examinations, of particularly institutional theory and entrepreneurship, resource based view as the foundational theories have been explained. This chapter has also conceptually and contextually discussed the study variables starting with entrepreneurial behaviour, social and economic institutions which are the predictor variables in the thesis. This chapter further presented the research problem, research objectives and the value of the study. The next chapter two presents the role of micro and small enterprises in national economies globally and Kenya in particular.

1.7 Structure of the Thesis

This thesis has seven chapters. Chapter one introduces the study. The chapter also discusses the concept of firm performance in the context mainly of micro and small enterprises in North Eastern Kenya. The chapter one also outlines the research problem, the study objectives and the value of the study in theory, practice and in the area of policy making for entrepreneurship and small business policy formulation. Chapter two presents literature review and conceptual framework. It traces the concept of entrepreneurship, entrepreneurial behaviour, social and economic institutional theories. This chapter discusses the thrust of the subject matter, various concepts and their definitions and their relevancies to the study. Thereafter the chapter outlines key issues on entrepreneurial behaviour, social and economic institutions. Chapter two also presents

empirical literature review and theoretical conceptual framework.

The chapter presents empirical literature on entrepreneurial behaviour, social and economic institutions and firm performance, summary of knowledge gaps, the conceptual framework and the research hypotheses.   Chapter three presents the research methodology and design. This chapter outlines how the research was conducted using twin survey and case study approaches.

The two approaches presented the respective population frame of the study, measurements, variables of interests, data collection and analysis. Chapter four presents the data analysis, and findings. Chapter five presents discussion of the results. Chapter six presents performance patterns of the case study of micro and small firms; three in Garissa, two in Wajir and two in Mandera counties who agreed to participate in the case study and even provided their financial records for the purpose. This chapter presents these cases comprehensively. Chapter seven presents the summary, conclusions and the recommendations of the study arising from the data analysis; case studies, the literature reviewed and the research findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review on the concept of entrepreneurship which is the discipline domain of the study. The chapter then proceeds to present literature on theoretical foundation of the study: entrepreneurial bricolage, effectuation and entrepreneurial behaviour and firm performance relationship. Further, the chapter reviewed the literature on the predictor variables of social and economic institutions, resource based theory and the role of government on entrepreneurship and small business development. Lastly the chapter concludes with summary of literature review.

2.2 Theoretical Foundation of the Study

This study inquired into the performance of micro and small livestock enterprises in North Eastern Kenya. Specifically the study examined how the performance of the concerned MSEs are influenced by entrepreneurial behaviour and selected social and economic institutions variables. Earlier studies on firm performance have acknowledged the multidisciplinary nature of entrepreneurship and utilized various theories to anchor their studies (Delmar, 1996; Maalu, 2010; Covin & Slevin, 1991). Theories of entrepreneurship are defined as verifiable and logically coherent formulations of relationships that explain entrepreneurship, predict entrepreneurial activities, or provide normative actions (Kuratko & Hodgetts, 2007:45). The purpose of theories is to explain real life events, behaviour, facts or phenomena in consistent, generalized manner.

Past studies of entrepreneurship behaviour and firm performance relationship have presented the thrust of their thesis within the conceptual framework of several theoretical foundations in the area of entrepreneurship (Covin & Slevins, 1991; Bird & Schjoel, 2009). These different theoretical perspectives have been used to understand, explain and predict entrepreneurship and ground the concepts on logical and coherent thoughts particularly with regard to how the theoretical abstracts manifest themselves in practice as concrete, measurable variables. Theories applied in the past studies of entrepreneurship, firm performance and institutional parameters reflect the contextual issues regarding those studies, where the studies took place and the environmental conditions. The implication of this is that there is an apparent feeling among scholars that there is no synthesis of "general theory of entrepreneurship and that most of the theoretical anchorage applied in the field are eclectic, borrowed as it were, from the contributions of other social sciences such as anthropology, economic history, finance and management, psychology and sociology" (Kirby, 2013:135).

Entrepreneurship appears in the economic science literature primarily through the writing of Richard Cantillon (1755). He endowed the concept with economic meaning and the entrepreneur with a role in economic development. Cantillon recognized that discrepancies between demand and supply in a market create opportunities for buying cheaply and selling at a higher price and that this sort of arbitrage would bring equilibrium to the competitive market. The assumption was that the entrepreneur would buy products or whatever at a fixed price, have them prepared or packaged and transport them to markets and sell them at an unpredictable, uncertain price.

People who possessed the motivation and alertness to take advantage of these unrealized profit opportunities were called "entrepreneurs". The basic characteristic of Cantillon's analysis was the emphasis on risk. Entrepreneurship he underlined is a matter of foresight and willingness to assume risk. In their influential paper titled "In search of the meaning of entrepreneurship" (1989:40), Hebert and Link emphasize that theories of entrepreneurship could be either static or dynamic, "only dynamic theories of entrepreneurship have any significant operational meaning." Arguing that throughout history the entrepreneur has worn many hats and played many roles. Herbert and Link identified at least nine distinct dynamic themes in the economic literature regarding the role of the entrepreneur in society. These are: one, the entrepreneur is the person who assumes the risk associated with uncertainty; two, the entrepreneur is an innovator. Three, the entrepreneur is a decision-maker. Four, the entrepreneur is an industrial leader. Five, the entrepreneur is an organizer and coordinator of economic resources. Six, the entrepreneur is a contractor, seven, the entrepreneur is an arbitrageur. Eight, the entrepreneur is the owner of an enterprise and nine, the entrepreneur is an allocator of resources among alternatives uses.

 In order to synthesis the Cantillon's views on entrepreneurs as bearers of risk and uncertainty, Kirzner's view on entrepreneurs as the essence of alertness to profit opportunities and Schumpeter's views, entrepreneurs as "innovators" engaged in a process he called "creative destruction", Hebert and Link suggested a 'synthetic definition of the concept of entrepreneurship as "the entrepreneur is someone who specializes in taking responsibility for and making fragmental decisions that affect the

location, form, and the use of goods, resources, or institutions" (Hebert & Link, 1989:47).

This definition has been cited as synthetic because it incorporates the main themes of entrepreneurship: risk, uncertainty, innovation, perception and change. The definition nevertheless does not capture all the important themes of social development of entrepreneurship and micro to small business research which draw great interests from scholars, as well as from policy makers in the public sector domain.

Any workable analysis of the concept of entrepreneurship must be informed by the lessons of history. "One lesson to be learned from economic history is that the problem of the place of entrepreneurship in economic and social theory is not problem theory per se, it is a problem of methods and subjects (Hebert & Link, 1989:48). According to Parker 2004), the chief contribution of the entrepreneur is to combine and coordinate factors of production. The entrepreneur stands at the centre of the economic system, directing and rewarding the various factors of productions, and taking the residual profits. Personal characteristics such as judgement, perseverance and experience required for successful entrepreneurship would be in scarce supply; providing high profits to those who become entrepreneurs. As one entrepreneur put it "no one can eat your own lunch for you".

Based on these discussions, it is clear that entrepreneurship is a multidimensional, multidisciplinary field which is critically important for the welfare and economic prosperity of society. As such the concept of entrepreneurship is dynamic, situational dependence and can be viewed using different theoretical lenses. Therefore, this study

has focused on its objectives within the framework of entrepreneurial behaviour, social and economic institutions and resource based view of the firms as the anchored theories.

2.2.1 Entrepreneurial Bricolage and Effectuation Theories of Entrepreneurship

The behavioural theory of entrepreneurial bricolage and effectuation endevours to explain and understand how entrepreneurs behave and handle a situation when they are faced with penurious environment where all kinds of resource that they would need are scarce or highly constrained. Majority organizational entrepreneurship typically face severe resource constraints. The majority of new firms in Kenya begin with very limited resources, commonly less than Ksh 35,000 (US$ 400) and either with no employees, or only family member to share the work (GoK, 2008 on MSEs Competitive Project; GoK 2005 on MSEs). Some firms in high-growth sectors may be able to fund their entrepreneurial activities through borrowings but such resources are not widely available to many firms, new or existing (Deakins & Freel, 2012). Even the very small proportion of new firms that experience growth, often find it difficult to attract specific human, financial or other resources when they are needed (Penrose, 1959, Barney, 1991).

Entrepreneurial bricolage and effectuation theories of entrepreneurship attempts to provide a useful explanation for how entrepreneurs successfully overcome the challenges of resources constraints in a highly resource deficit environmental context. In the study of entrepreneurial persistence in resource depleted and constrained environment, researchers(Baker and Nelson; 2005) have found that Levis-Strauss's (1967) concept of "Bricolage" often described as making do with "whatever is at hand" helped to explain

how firms handled new challenges under state of tight resources limitations (Baker & Nelson, 2005). For many years, organizational theorists have used open-systems models for explanations of how firms in resource constrained environments firm perform.

Baker and Nelson (2005) argued that open-systems models have generally been predicated on the insight that organization are environmental dependent and that it is hence important and relevant to focus scholarship "more on an organization's context and the pressures and constraints that arise from that context" (Pfeffer, 2003:2). Open systems theories have advantage of conceptual simplicity and environmental perspective. By integrating it with an emphasis on variation in resource constraints help deepen the understanding of institutional dynamics well beyond what would be possible with traditional internally focused managerial models (Pfeffer, 2003). The open-systems theories have the problems of sharing the assumption that the nature of resources is by and large given and thus non-issue.

According to Baker and Nelson (2005:3) resource environments "have a stubborn facticity, either in the sense of an objective ecology of distributed resources or in the sense of appearing objective and being taken for granted by participants". Resource remains a reality in the world of business. They are objective, definable and independent of the specific firms embedded in resource environments. Thus resources "are what they are and business firms and individual entrepreneurs either have the resources they need or they do not (Baker and Nelson, 2005).   The question then is conceptually how do entrepreneurial firms overcome the challenges posed by resource constrained

environments? The studies of the concepts of "bricolage" by Levi-Strauss (1967) and 'effectuation' by Sarasvathy (2001) give more promising how best to respond to such complex question.

2.2.1.1 Entrepreneurial Bricolage Theory

Baker and Nelson (2005:33) define the term bricolage as "making do" by applying combinations of resources at hand to new problems and opportunities. The concept of bricolage is attributed to Levi-Strauss (1967) who used it to distinguish between the actions of an engineer and the actions of his handyman, the "Bricoleur' (Fisher, 2012). Baker and Nelson (2005) correctly argued that when entrepreneurs are faced with environment in which resources are constrained, scarce, they are presented with stiff challenges. Under such conditions, firms have three options: One, to seek resources from domains external to the firms; two, to avoid new challenges; and three, to enact bricolage by making do by applying combinations of resources at hand to new problems and opportunities. In the entrepreneurial literature, bricolage has been used to conceptually explain new firm performance and market creation (Baker & Nelson, 2005).

One basic theme running through many studies anchored on bricolage is the combination and reuse of resources for different applications than those for which they are originally intended or used. This is a common practice in rural communities of African societies as it is elsewhere. In their field work, Baker and Nelson (2005) confirmed the importance of the combination of preexisting resources for new "purposes in understanding bricolage and extended existing thought in important ways". Businesses that made do with what

was at hand appeared to favour recombining existing elements rather than fabricating them from scratch. Strauss (1967) concerning the 'resources at hand' proposition observed that the bricoleur – the person engaged in bricolage - possessed set of "odds" and "ends". This may be skills, ideas or physical artifacts that are accumulated on the principle that they will be needed some day and come handy.

Penrose (1959) demonstrated the resource environment as idiosyncratic to the uses firms make of it and argued that each firm is unique in its input/out relationship to its resource environment. "Not only can the personnel of a firm render a heterogeneous variety of unique services but also the material resources of the firms can be used in different ways, which means they can provide different kinds of services" (Penrose, 1959:75). Baker and Nelson (2005) noted the limitations of seeing a resource environment as independent of the entrepreneurial activities of firms embedded in it. They argued that firms were substantially different in their ability to survive or prosper given ostensibly similar resources constraint. In their variations, different firms are bound to discover and elicit different services and combinations of services from similar objective resources.

As Baker and Nelson (2005:8) reasoned, the idea of bricolage also suggest the possibility that the same resources may be "worthless – even treated as waste products - to one firm but valuable to another, especially to the extent that the latter firm can combine what was heretofore valueless" with its own unique set of other resources and services. Therefore, these characterization of a business firm's internal and external resource environment provide a promising basis for understanding how entrepreneurs might access valuable

resources mix from what initially appear to the highly resource penurious environments. It is thus on the basis of these justifications that this study has selected entrepreneurial bricolage theory as one of the anchor theories to shade more light on the behaviours of the owners of MSEs in the livestock sector in North Eastern Kenya, who operate in a rural, highly resource constrained environment.

2.2.1.2 Effectuation Theory

Effectuation process dictates that under conditions of resource constraints, uncertainty and dynamic business environment, entrepreneurs adopt a decision logic that is different from the traditional, causation approach. Instead of focusing on goals, entrepreneurs pay attention on the means, the things over which the entrepreneur has control; personal knowledge and experience, skills and social networks and firm level resources. Sarasvathy (2001:6) argue that entrepreneurs begin business firms with three categories of "means". "They know who they are, what they know, and whom they know – their own traits, tastes, motivation, and abilities; the knowledge corridors they are in; and the social networks they are part of." A study done by Fisher (2012) on six small firms found that only two (33%) demonstrated behaviours that fit with causation processes. The other four firms (67%), demonstrated behaviours in favour of effectuation and against the adoption of a causal – planned, goal oriented, return maximize-approach to business firm development.

Chandler et al (2011) suggests that the theory of effectuation has seven dimensions. First, experimentation, this is trying different approaches in the marketplace before setting on a business concept in practice. Second, the affordable loss than expected returns. This is pre-determining how much money an entrepreneur is willing to lose and experimenting within the bounds of those resource constraints (Fisher, 2012). Third, Bird in the hand is better, than two birds or even more in the bush principle. This is emphasizing that entrepreneurs should start the firms with whatever physical and financial resources that they have however little. The local communities in North Eastern Kenya have similar principle: "do not throw away fruits in the bag for those still on the tree."

The basic message is thrift, wise economic application of resources at hand as we are only sure of what is "in the hand", not what is out there unrealized. This is in congruence with the well known concept of 'financial bootstrapping'. The term bootstrapping derives its meaning from the expression "lifting oneself up by one's own bootstraps", referring to raising oneself up by one's own means. In business that means building a business out of very little or virtually nothing.

Fourth, risk little; fail cheap. This is also in congruence with the concept of affordable loss. When money is scarce, entrepreneurs become more creative and resource constraints inspire them. They risk little capital incrementally so that if they fail they fail cheap and able to recover and start all over again. Failure should and must never be 'fatal' – for the firm. Five, strategic alliances rather than competitive analyses. Sarasvathy (2001) posits that causation models, such as the Porter model in strategy,

emphasis detailed competitive analyses. Six, flexibility is a very useful mechanism in describing the behaviours of entrepreneurs who practice effectuation processes. Flexibility here concerns with product, and market flexibility, experimentation and seeing, what works and what fails. Seven exploitation of contingencies rather than exploitation of preexisting knowledge (Sarasvathy, 2001). When pre-existing experience, knowledge, expertise forms the source of competitive advantage, causation models might be preferable to effectuation. However, effectuation would be better for exploiting contingencies that arose unexpected overtime. As Sarasvathy put it, "the logic for using effectuation processes is: to the extent that we can control the future, we do not need to predict it" (Sarasvathy, 2001:12).

Many theories of entrepreneurship have their origin in economics, sociology, psychology and economic geography, law and anthropology (Parker, 2004). However over the past decade, scholars of entrepreneurship have begun developing specific theories belonging to the scholarly domain of entrepreneurship. Effectuations and entrepreneurial bricolage are such two theories. In the real world of business where institutional structures and "rules of the game" are weak or non-existent and resources are acutely scarce, destinations as well as paths are often unclear in entrepreneurial decision making. "And when destinations are unclear and there are no preexistent goals, causal road map are less useful than effectual exchanges of information between all stakeholders involved in the entrepreneurial journey" (Sarasvathy 2001:262). The past studies of entrepreneurship have not alluded to the importance and intellectual power of illumination these two perspectives of entrepreneurial bricolage and effectuation would bring to the theoretical

anchorage of the field in the context of Kenya's business environment (Orero, 2008; Khayesi, 2010).

2.2.2. Institutional Theory

Institution theory deals with how various groups and organizations better secure their positions and legitimacy by conforming to the rules and norms of the institutional contextual environment (North, 1990). The works of both Baumol (1993) and North (1990) have highlighted the relationship between the institutional environment and entrepreneurship development. North (1990) argues that entrepreneur is the main agents of change. Business firms founded by entrepreneurs and other related organizations will adapt their activities and strategies crafted to fit the opportunities and limitations provided through the formal and informal institutional framework. The distinction between formal and informal institutions is at the core of the economies of institutions. The rules that govern social interactions are generally not limited to formal institutions.

They also include informal institutions. Informality suggests not following strict rules of how to behave –whereas formality suggest following clear, precise, mostly written, legal, structural, enforceable rules of conduct (Baumol, 1993). The institutions that matter to individuals are those that they follow-whether formal or informal/cultural. Salitet (2010) argues that the distinction, between formal and informal is important when designing policies that are intended to influence the behaviour of people. Entrepreneurs operate in the context of formal and informal institutions. Firm performance decline when formal and informal rules of the entrepreneurial game don't overlap. This is what is so often

observed when the formal rules do not reflect the informal social norms, moral and conduct. Institutions only affect people's behaviour when they are enforced. In situations where there is no overlap between formal and informal rules, and formal institutions cannot be enforced properly, it is the informal rules that take priority.

The consequence of lack of or narrow overlap is that the enforcement of the formal rules becomes difficult and expensive. While informal rules operate at the micro socio structure level, formal rules operate at macro-firm, national level. Broadly institutions can be grouped into two: social and economic (McCormick & Kimuyu, 2007). Social institutions are informal and relational governance that fill in the institutional voids resulting from an inadequate formal institutional infrastructure and mainly draw on societal culture and religion" (Bruton, Ahlstron & Li, 2010). Williamson (2000) formulated hierarchy of institutions" composed of four layers of institutions; informal, formal constitutional, formal regulatory and resource allocation.

According to Williamson's framework (2000) informal institutions is captured by the norms of micro social structures, formal institutions by constraints on executive branch of governments and the lower regulatory institutions by government activism and size of government and finally resources allocation institutions captured by the economic agents. Social institutions are part of the wider political, economic social, legal, international, ecological and demographics (PESTLIED) conditions that anchor entrepreneurs' behaviour and the larger ecosystem that constraint or reinforce risking taking, aggressive, motivational behaviour.

Whereas institutions are what North (1990) defined as the formally humanely-devised constraints that structure human interactions, organizations are the "real hardware", the groups of people bound by a common aim to adhere vision, objectives and goals. Today it is the new "received wisdom" the view that qualitative institutions are the bedrock to a nation's economic growth and high business performance successful entrepreneurs who discover and exploit new business opportunities depend on a number of complementary institutions; informal, formal regulatory and resource allocation organizations. Economic institutions are mainly the formal organizations, laws and regulations that impact on the operations and resource mobilization capabilities of firms. Most of the past studies on entrepreneurship examined the attributes of individuals, social capital networks in which those entrepreneurs are embedded, the resources they accumulate and the business opportunities that are available in the competitive environment (Kirby, 2003; Stokes & Wilson, 2006; Covin & Slevin, 1991). However, these studies demonstrate little consensus about precisely which institutions among the Williamson's (2008) 'hierarchy of institutions' are important for entrepreneurship.

At the same, the institutions favouring self employment, or micro and small firm might be different from those engaging in the formation of new firms which plan to grow to medium size or even large. The attention of this thesis is on MSEs because of their large number in Kenya's North Eastern region and potential significance for economic growth, wealth and employment creation (Birch, 1979; Storey, 1994). Many of the incentives underlying value-adding behaviour depend on the quality of institutions. Therefore, this study has utilized institutional theory as one of its theoretical lens for the research.

2.2.3 Resource Based Theory

Resource based theory of firm performance is an increasingly utilized theoretical foundation for entrepreneurship research and firm strategy. Resource based view (RBV) is the ability of firms to attract key resources and use such resource as personnel, finance information and material resources in flexible combinations (Barney, 1991). RBV offers a theoretical basis for importance of various kinds of resources to firm's overall competitiveness and performance and suggests that superior firm performance is a function of resources that are valuable, rare, inimitable and sufficiently organized to develop and sustain the firm's competitive advantage.

This is what Barney (1991) called the VRIO framework. These four characteristics of resources being valuable, rare, inimitable and non substitutable have been considered by many entrepreneurship and management scholars as strategic assets that, if properly mobilized, improve a firm's performance and sustain and build its competitive advantage. RBV, though relatively new to the field of entrepreneurship, addresses some of the most fundamental questions of firm performance: why is one firm more profitable than another and what makes a firm's competitive advantages sustainable (Barney, 1991). Penrose (1959) describes the state of a firm not being just a unit, but also a group of resources. Frequently, the term resource is limited to those attributes that enhance efficiency and effectiveness of the firm (Miller & Shamsie, 1996; Prahalad & Hamel, 1990). The approach to venture creation process and management is based on the interactions of four contingencies (Wickham, 2006). A contingency is simply something which must be present in the process but can make an appearance in an endless variety of

ways. The four contingencies in the venture creation and management are entrepreneur, a market opportunity together with relevant interplay of institutions, a business firm and resources to be invested. Wickham (2006) argues that, the entrepreneur is the individual who lies at the heart of the entrepreneurial process, that is, the manager who infact drives the whole process forward. Entrepreneurs in MSEs act singly although in many occasions entrepreneurial teams are important.

On the other hand a market opportunity is the gap left in a market by those who presently serve it. It represents the potential to serve customers better than they are being served at present. The entrepreneur is responsible for scanning the business landscape for unexpected opportunities or possibilities that something important "might be done differently from the way it is done at the moment and initially, better than it is done at the moment" (Wickham, 2006: 223). Business opportunities are functions of institutional interactions and the improved way of doing something is the innovation that the entrepreneurs bring to the market operating under a given set of institutional enabling or constraining influence. The third and final contingencies in the entrepreneurial process of venture creation and firm management are the firms and resources. In order to supply goods or service to the market there is need to plan and coordinate the activities of a number of different people (Stokes & Wilson, 2006).

This is the function of a business firms that entrepreneurs create. Firms can take on a variety of forms. Forms different firms take will depend on a number of factors, such as their size, age, their rate of growth, industry they operate in, the type of products or

service they deliver, the resources and competencies of the entrepreneurs. Barney (1991) posits that the premise of the resource-based view is that firms differ in fundamental ways because each firm possesses a unique bundle of tangible and some intangible assets and what Prahalad and Hamel (1990) call organizational competencies and capabilities. Resources are anything or quality that is useful for advancing a firm's objectives. Barney (1991:33) defined firm resources in general as "all assets, capabilities, competencies, organizational processes, firm attributes, information, social networks, knowledge, and so forth, that are controlled by a firm and that enable the firm conceive of and implement strategies designed to improve its performance, that is, its efficiency and effectiveness."

Firms, besides tangible resources, also have intangible assets. Examples of intangible assets are the reputation of the firm and the entrepreneur, brand names, cultures of the firms, technological knowledge, patent and trademarks. Others include accumulated declarative knowledge, learning and experience in the sector. These assets often play important roles in firm performance (Barney, 1991). Montgomery (1997) argues that intangible resources have unique attributes. This important property of intangible assets is the attribute of not being consumed in usage. If applied indeed judiciously, some intangible resources can grow with use rather than shrink. For this reason, intangible asset can provide a valuable base for firm better performance in terms of expansion, growth and profitability (Barney, 1991). In addition to tangible and intangible resources, the other category of resources is firm organizational capabilities or competences (Prahalad & Hamel, 1990).

As the resource-based view of the firm has developed, different researches have used different terms to describe entrepreneurially and strategically relevant financial, physical, individual and organizational attributes (Barney, 1991). Wernerfelt (1984) was one of the earliest scholars to make reference to organizational attributes and who simply called them "resources". Whereas Prahalad and Hamel (1990) described internal attribute of firms core competencies, Stalk et al (1992) in some closely related work, called them core capabilities. Thus firm capabilities and competences are not factor inputs like tangible and intangible assets. Rather they are complex combinations of assets, people, tacit knowledge and processes that firm use to transform inputs into outputs.

According to Montgomery (1997) the value of firm's resources lies in the complex interplay between the firm and its social and economic environment. Value is created in a firm's output when the firm's products are demanded highly by the customers, when it cannot be replicated by its competitors and when the profit it generates is captured by the firm. Finely honed capabilities can be a source of high performance (Kirby, 2003). The list of firm capabilities includes a set of abilities describing efficiency and effectiveness such as being faster, cheaper, more responsive, higher quality and better customer service than can be found in any one of the firm's activities from product development, to marketing, to distribution. Despite the significant challenges associated, entrepreneurial with RBV as an approach to understanding entrepreneurial firm performance still provides convenient theoretical framework for analysis of the internal sources of organizational performance and competitiveness.

RBV's two critical assumptions that firms have different resources and capabilities – firms resources heterogeneity and that these differences can persist overtime – the assumption of resource immobility are both useful tools of understanding why different firms perform differently. Firm attributes such as employee empowerment, firm culture and teamwork have been also identified, using the language of RBV, as economically valuable and thus as "sociality complex resources" as they are rare and costly to imitate (Barney, 1991). Based from the foregoing analysis and discussions, this thesis felt justified to have applied the resource based view theory as one of the anchor theories in its broad theoretical groundings for the study.

2.3 Entrepreneurial Behaviour and Firm Performance

Research on business performance is one of the largest fields in entrepreneurship and small business studies. This is because of the importance both entrepreneurship scholars and policy makers together with entrepreneurial practitioners attach to firm performance (Rwigema, 2011; Covin & Slevin, 1991). Despite the increasing number of empirical studies addressing firm performance, how different predictors are related to subsequent performance is unclear (Delmar, 1996). Although it is not easy to compare findings across studies which many a times are inconsistent, there is a general contention that entrepreneurial behaviour is positively related to firm performance not taking into consideration the economic and social institutions as moderating variables (Covin & Slevin, 1989). As they say in the military academies, "you cannot hire other people to do push up for your". Researchers have studied small firm performance either as the ability for the business to grow, survive, entrepreneurs level of satisfaction or financial

performance (Miller & Shamsie, 1996). Small firms have what one might call human scale, that is "a size at which it's still possible for an individual to be acquainted with everyone else in the firm, still possible for the owner / manager to meet with new hires, still possible for employees to feel closely connected to the rest of the firm" (Burhingham, 2005). Because of the "human scale effect", measuring performance of small firms using non-financial factors have high validity rating. The selections of measures of performance often influence the findings of a study, both in which predictors are found to be relevant but also their impact on performance.

Researchers have categorized entrepreneurial behaviours into three main categories (Covin & Slevin, 1991; Schafer, 1990). The first category concerns with studies that made intuitive assumptions about how firms can become more entrepreneurial by overcoming the natural barriers to entrepreneurship, such as risk aversion, lack of resources and skills. These studies suggest that entrepreneurial behaviors such as motivation, commitment, achievement need, opportunity identification and resource leveraging behaviours, organizational structure, scanning and championing behaviours are directly related to firm performance (Covin & Slevin, 1990; Schafer, 1990; Hisrich & Peter, 1986). The second category to entrepreneurial behaviour studies examines empirically how entrepreneurial behaviours were associated with firm performance. These studies reached inconsistent findings, however, with some studies concluding that entrepreneurial behavior was strongly and positively associated with firm performance (Wiklund & Shepherd, 2003), others detecting only a weak positive association (Lumpkin & Dess, 2001) and still others uncovering no significant relationships (Covin

et al., 1994). Accordingly, entrepreneurial behavior has been defined in a variety of ways by scholars, "you can see entrepreneurial behaviour when you see it" (Kirby, 2003; Stokes and Wilson, 2006). However, entrepreneurial behaviour is a firm behaviour that emphasizes the motivation, risk taking, aggressive competitiveness, achievement need, effectuations decision making, legitimacy and opportunity identification behaviours, among others. Kuratko and Hodgets (2007) argue that entrepreneurial behaviour is a 'mind set' as starting a new venture demands more than just an idea.

Creating successfully a new firm requires a special person, an entrepreneur, who uses sound judgement and planning a large risk taking to endure successful growth and survival of the firm. Cooper (1992) points out the challenges to predicting firm performance include the entrepreneur's behaviour and motive, scarce resources, the diversity of the firms themselves and the environmental – institutional effects. Further, Cooper suggest that entrepreneurs with more optimistic behaviour and resource accumulation tendencies are a better predictor of firm performance not withstanding social networks.

Studies have, however suggested that the relationship between entrepreneurial behaviour and firm performance are particularly strong among small firms because smallness fosters the flexibility needed to make entrepreneurial initiatives successful (Wiklund & Shepherd, 2003). This argument is consistent with Rauch et al. (2009) meta-analysis results, namely that the association between entrepreneurial behaviour and performance was strongest among small firms as the individual entrepreneur's behaviour or business

actions are synonymous with those of the firms. A micro or a small business owner is an individual who establishes and manages a business firm for the principal purpose of furthering personal social and economic goals. As Landstrom (2005) points out the small business owner perceives the firm as an extension of his or her personality, behaviour, thus intricately bound with family needs, wants and aspirations. Based on the view of the entrepreneur and small business owners as individuals who specialize in taking judgmental decisions about the coordination of scarce resource, entrepreneurial behaviour may be taken as an extension of the personality traits, dispositions and infact the behaviours of the small owner managers. Naturally such behaviours will have significant relationship with the firm performance (Casson, 2003). Casson (2003) argues that the characteristics of a judgmental decision of an entrepreneur are important and useful to the understanding of entrepreneurial behaviour. A judgement decision is defined as one "where different individuals, sharing the same objectives and acting under similar circumstances would make different decisions" (Casson, 2005:21).

Different entrepreneurs would make different decisions to attain the same objectives because they have different perceptions of the situational context arising from different access to information. While examining the influence of entrepreneurial behaviour on performance, different studies have applied variety of methods to determine entrepreneurial behaviour (Covin & Slevin, 1991; Box et al., 1994; Delmar, 1996). One of the popular conceptual frameworks used to determine the dimensions of entrepreneurial behaviour is that of Covin and Slevin (1991). Using this framework in which entrepreneurial behaviour was conceptualized as an outcome of risking taking,

innovation and proactiveness was found to be more positively related to performance of large firms than MSEs. The performance of MSEs was more related to motivation, competitive aggressiveness, autonomy, social network and resource leveraging behaviours than risk taking and innovation (Box et al., 1994).

Different studies have also applied varying number of items for each dimension and also measurement scales. Literature has demonstrated that Likert type scales have been the most common measures of entrepreneurial behaviour constructs (Box et al., 1994; Wood 2006; Smith & Recce, 1991). Some of the often cited entrepreneurial characteristics that positively affect firm performance are the number of partners, education level and managerial or industry experience of the entrepreneur, 1994). Firms of entrepreneurs with higher education and greater industry experience tend to perform better than firms of less educated and inexperienced entrepreneurs. Both the entrepreneur's and the firm's age have also been found to influence performance as measured by growth of the firm.

Younger firms and entrepreneurs have been found to be more likely to grow than older (Box et al., 1994). Several studies have also shown that an entrepreneur's motivation has positive influence on firm performance (Delmar, 1996). Interestingly, however, a number of studies have found no relationship between need for achievement, locus of control, risking taking, competitive aggressiveness and firm performance. Instead these studies have found that most important environmental variables which are significant predictors of firm performance are quality of institutions, market structure and industry (Box et al., 1994; Covin et al, 1994).

An unidentified constructs known as moderators are believed to influence the relationship between entrepreneurial behaviour and firm performance. Based on this background on the importance of entrepreneurial behaviour in firm's growth and survival, together with the inconsistent position regarding the effects of entrepreneurial behaviour on firm performance, this thesis is motivated to investigate the role of entrepreneurial behaviour among MSEs in the livestock sector in the North Eastern Kenya.

As the literature suggests, whereas entrepreneurial behaviour is necessary for firm performance, it is not sufficient. Therefore, based on the foregoing discussions, literature review and the objectives of the study, this thesis makes the hypothesis 1: entrepreneurial behaviour positively influences firm performance.

2.4 Entrepreneur Behaviour, Social Institutions and Firm Performance

Institutional perspective of entrepreneurship and small business research is a popular theoretical foundation for investigating creation of new firms, their growth, survival entrepreneurial behaviours and firm performance (Bruton et al, 2010). Social institutional theory is concerned with cultural and networks influences that promote firm performance. The social institutional perspectives direct attention to the rules, norms and beliefs that influence the performance of business firms, the motivation of the owners and employees. That firms are both constrained and enabled by the institutions in their environment has been widely acknowledged in the literature (Scott, 2007; Bruton et al., 2010).

The social institutions and networks are factors that have been widely acknowledged to define and limit entrepreneurial opportunities and therefore affect the rate of growth and profitability of firms. Typically, researchers have conceptualized institution as national, macro-level variables. However, Wicks (2001) argues that institutional theory could also be a micro-level variable influencing the behaviours of individual entrepreneurs. Social institutions are the individual level informal and relational governance that take the place of formal institutional arrangements and fill the gaps. They draw on religion, community values, beliefs systems and culture. The effects of social institutions on firm performance can be examined from two approaches.

The first, dealing with the differences between individual entrepreneurs – the individualistic perspective and the second the regional differences – the social legitimization perspective (Delmar, 1996). In the case of individual differences, it is assumed that it is those individuals who have more entrepreneurial values are more likely to behave entrepreneurially and thus whose firms will perform even better. In the case of the social legitimization perspective, Goll and Rasheed (2004) reckon that the prevailing social institutional beliefs, tradition and values constitutes a social norm-base that enable, or restricts entrepreneurial behaviour regardless of the values and beliefs held by the actual entrepreneurs.

The earlier studies have examined the moderating roles of social institutions on firm performance. In one such study, Goll and Rasheed (2004) inquired into how business environment such as the social institutions influence firm performance. Their study found

a significant moderating effect of social institutions on the aspects of business performance. Delmar (1996) in his influential study found that the relationship between entrepreneurial behaviour and firm performance is moderated by social and economic institutions in the form of external environment. Moderating variable is described as a variable that modifies the original relationship between an independent variable, in the case of this thesis, the entrepreneurial behaviour and the dependent variable, in this case, firm performance. This means that the effects of entrepreneurial behavior on firm performance depend on the value and direction of social institutions. This simply means that an entrepreneur with superior entrepreneurial behaviour and with the relevant high supportive social institutions will perform better than a high entrepreneurial individual who has relatively less supportive social institutions at both macro and micro level.

Just like entrepreneurial behaviour, the positive moderating effects of social institutions on firm performance are not universal. Some social institutions have strong positive influence; others have weak effects while still others have negative influences on firm performance (Covin et al., 1994). Rules and norms that individual follow in their daily lives, whether formal or informal, and their enforcement characteristics are what constitute institutions. Thus, firms perform better and entrepreneurship would flourish in a given context when there exist sufficient rules and norms of good quality in that social environment. Conventional wisdom suggests that firm performance or total factor productivity (TFP) represented by Y(sales) is a function of the owners entrepreneurial behavior(B), the nature of the social and economic institutions(I), the average rate of profitability of the firms in the sector(R), and the firms level characteristics including its

resources(X) (Parker, 2004) that is, $Y = f (B, I, R, X)$. Thus Parker (2004) argues that social institutional quality variables not only affects firms total factor productivity but also the productivity and size of factor inputs such as human and financial capital of small firms and that social institutions affect the growth and survivability of MSEs much more than factors such as geography and trade.

Two of the key determinants of a firm's performance are the amount of resource its able to accumulate as a start capital in the form of financial, human and physical and the entrepreneurial values of not only the owners but all those who are part of the firm's business and social networks. Both the entrepreneurial values of business owner, managers and their networks are embedded in concrete, ongoing systems of social relations and these relations facilitate and constrain agents' profit and rent seeking actions. One of key challenges facing small firms is lack of resources: finance, human capital, information, markets, partners, business ideas, social and even moral support.

In order to overcome this resource deficit limitation, small business owners devote themselves to pursuing instrumental utilization of social institutions by using personal relations and networks for the purpose of resource mobilization (Kirby, 2003). Resources embedded in social relations are called social capital. This social capital defined as networks of relationships and assets located in these networks (Coleman, 1990; Burt, 1992) has been found to have positively moderating influence on firm performance (Baker, 1990).

Documented work and business related to social capital in Kenya can be traced to the national motto 'harambee' - self-help movement which began in 1960s (Kirori, 2011). The term *harambee*, is a Swahili term that literary means 'pulling together'. It is Kenya's national tradition of community self help events. Different social groups and communities are encouraged to "put their minds together for a developmental cause" and raise resources for various projects and activities. Business performance is dependent on the availability of resources. Firm resources include all assets, capabilities, firm attributes, information, knowledge and social capital (Barney, 1991). However, direct control of all needed resources is not essential for successful entrepreneurship as entrepreneurs can ask their friends, families and communities to provide the resources they need to exploit business opportunities. The three dimensions of social institutions are relational (trust, norms), structure (ties, whether strong or weak) and cognitive (shared values) (Coleman, 1990; Gedajlovic et al; 2013). Thus social capital heterogeneity among entrepreneurs leads to differentiated firm performance because of individual's position in the social space and how social relations favour purchase and sale decisions of entrepreneurs (Batjargal, 2000).

The main finding of Batjargal (2000) is that relational and resources embeddedness has direct positive effect on firm performance and the social institutions moderate the relationship between entrepreneur behaviour and performance. Two of the cornerstones of social institutions as "a rule of the game of trade" are 'trust and ethics' in business. A conventional wisdom holds that to trust is human and overwhelmingly human beings are morally upright, trusting and ethical in their day to day interactions. Thus trust improves

business performance. In rural communities where majority of MSEs operate, trust is highly regarded value of entrepreneurs. A growing interest in building trust between organizations stems from the belief that trust enhances business performance.

According to Powell (1996) for instance, trust has been identified as an important component which makes partnerships, strategic alliances, loans and credit transactions and networks of small firms successful. Fukuyama (1995) argues that trust is also of great relevance to business in the 21st century because the maintenance of consistently highly quality; which is an important source of competitiveness, is easier in high-trust production system than in a low-trust one. In Fukuyama's study (1995), as with others, the link between trust as a moderator and business performance is plausible. Opinions on trust and ethical behaviour are foremost socially-culturally determined (Frederickson & Ghere, 2007).

Traditional wisdom holds that conventional ethical reasoning is grounded on loyalty, trust, respect and commitment to the values of the social groups or networks. In one study Menzel (1993) asked the question "Do trusting, ethical climates of public organizations reinforce or detract from organizational values such as efficiency, effectiveness, excellence, quality and teamwork?"

He hypothesized that as the ethical climate of an organization becomes stronger, organizational performance values such as customer care, efficiency, effectiveness, teamwork, excellence; and quality will be strongly supported. His findings accepted that trust and ethical climate have important positive moderating influence on an

organizational performance. Business is all about influence and therefore, within the dynamic business environment, social institutions with the domain of culture, is the single variable that affects every facet of any enterprise. Timmons et al. (1985), for example postulated that certain Chinese social institutional values are in direct conflict with traditional agreed upon entrepreneurial behaviour, and thus negatively affect firm performance.

The hypothesis that social institutions may enhance, encourage or inhibit firm performance is well documented (Maysami & Coby, 1998a). Shapero (1984) concluded that social institutions are explanatory variables for firm performance, the entrepreneurial activity or the lack of it. For instance the social institutions of some societies consider business and riches as unholy activities and so entrepreneurial behaviour is also frowned upon (Becker, 1956). In such societies social institutions are not supportive of firm performance and therefore regardless of the entrepreneurial behaviour of the firm owner managers, the outcome of the firm would always be constrained. Lack of informal yet enforceable mechanism for business contract resolution is one such problem in rural areas and with MSEs (Kirby, 2003).

The role of social institutions in firm performance is ambiguous (Menzel, 1993, Fukuyama, 1995; Coleman, 1990). It is apparent that some studies suggest strong positive moderating influence of social institution on firm performance while others suggest inhibiting influence, while still others suggest weak association.

The contradictions suggest that firm performance is multi-dimensional, just as

entrepreneurship as a discipline (Kirby, 2003; Stokes & Wilson, 2006; Parker, 2004). Thus, some of the past studies have suggested further research on the effects of contextual social institutions on business performance (Baker, 1990) and determined whether certain variables, could moderate the effect of entrepreneurial behaviour on performance. Based on this background, and the literature reviewed, this thesis has investigated the moderating influence of social institutions between entrepreneurial behaviour and firm performance and makes hypothesis 2: Social institutions moderate positively the relationship between entrepreneurial behaviour and firm performance.

2.5 Entrepreneurial Behaviour, Economic Institutions and Firm Performance

The theoretical literature identifies economic institutions as one of the key sources of firm performance – growth and survival rates differentials across-countries and even region within countries. Most generally, Parente and Prescott (1994) argue that broadly defined economic institutional factors moderate the relationship between entrepreneurial behaviour and firm performance. Other studies have focused more on the relationship between firm performance and the influence of specific economic institutions such as credit agencies (Banerjee, & Newman, 1993), contract enforceability (Acemoglu et al, 2006), investor protection and cost of market entry (Commander and Tinn, 2008). However, while these bodies of studies hold that great institutions should imply great firm performance, the literature also suggests that the moderating role of economic institutions between the relationships of entrepreneurial behavior and firm performance are not necessarily monotonic and linear.

The term 'economic institution' is used in this thesis with two different, yet related

strands of meanings. First the economic institutions, to use North's (1990) description are the 'rules of the game', the game of entrepreneur concerning for example the impact government business regulations have on the performance of small firms (Kirby, 2003); property laws, the laws of contracts, the regulations on financial borrowings, and the rules of the goods markets.

Besides these, other rules that influence firm performance include those of firms in the industry, business associations, trust, labour markets, education and innovation systems (McCormick & Kimuyu, 2007). That the quantity and quality of these 'rules of the game' in a country or in a particular region of a country influences a firm's business performance is well acknowledged in the literature (North, 1990:3). Legal institutions for example such as corporate laws regulate the internal relationship of firms and their relationships to shareholders, providing legal and regulatory regimes for corporate operation (Commander and Tinn, 2008). Whereas political institutions help establish a stable, predictable social structure that facilitates economic exchanges among firms, economic institutions such as the infrastructure for financial capital distribution influence firm's access to resources and their operation cost in market.

Porter (1990) argues that a competitive advantage of firms originates in the national local environment in which the firm is based. Porter observes that despite the ability of business firms to transcend national or regional markets, competitive advantages in particular industries is often strongly concentrated in one or two locations. Firm's home region or nation plays a critical role in shaping entrepreneurs motivation, behaviour and

perceptions about the opportunities that can be exploited in helping resources mobilization and in creating pressures on the firm to perform better. Porter identifies for attributes in a firms home market which he collectively called the "diamond" that promote or impede a firm's ability to achieve competitive advantage and higher levels of performance. The four economic institutional attributes are factor conditions, demand conditions, related suppliers or support industries and strategy, structure and rivalry (Porter, 1990). Deaton (2013), the Nobel Prize winner in Economics, 2015, also advanced the empirical argument that institutions of quality, government capacity are the dominant determinant of not only national income but those of firms and also human health (Deaton, 2013).

The primary concern of 'economic institutions' is about resource allocation and creation of incentives in the market place. The second strand of the meaning of economic institutions is where the term 'institution' is used interchangeably 'with organizations'. The two terms McCormick and Kimuyu (2007) reckon that, although related, are not however, identical in meaning. Organizations are concrete, physical structures which are the embodiment of the 'rules, values and laws' of the group or society (Commander & Katrin, 2008). McCormick and Kimuyu (2007:12) argue that organizations are bodies formed to carry out and "referee the players" using the "rules of the game." Thus if government agencies, the markets, financial institutions and business association for instance have "rules" governing their interactions, they require various organization to implement and enforce the provisions of those rules. In this thesis therefore the term economic institutions is used to mean both strands of meanings and institutions and

organization are applied interchangeably. Entrepreneurial behaviour will benefit from favourable economic environment that is supportive of the efforts and the motivations of the entrepreneurship.

The results of a number of past studies are inconclusive because of the heterogeneity of economic environment of businesses in different regions and countries (Covin & Slevin, 1991). The past studies suggest that economic institutions matter and show that the relationship between entrepreneurial behaviour, institutions and firm performance is non-linear and non-monotonic (Olper, 2001). The economic institutions that provide the necessary incentives to moderate entrepreneurial behaviour and business performance include the government, the markets, the business associations, laws and the macroeconomic policies in general. Therefore, an entrepreneur can display high degree of entrepreneurial behaviour yet the business performs poorly because of the effects or incentives of the economic institutions or organizations which are beyond the control of the entrepreneur (Kirby, 2003).

Bhagat et al. (2010) argues that robustness of management theories, need to be further examined in various economic institutional contexts. This thesis attempts to address the critical question in the entrepreneurial behaviour literature that: what is the role of economic institutional environment in affecting performance of MSEs? Agency theory and Resource Based View (RBV) are two dominant theories in explaining entrepreneurial behaviour – firm performance relationships. Large firms face problems of agency costs which MSEs do not. Agency costs are costs that arise when individuals act in their own

self-interests, rather than acting to maximize firm performance (Montgomery, 1997). Agency costs are therefore common throughout "an organization whenever there is a divergence of interest between shareholders and managers" (Montgomery, 1997:110); senior, managers and other employees.

Principal-agency conflicts are rare in MSEs because of the small size of the firms and the number of employees. Thus the utilization of agency and resource based view theories in some of the past studies to explain firm performance (Bhagat, et al., 2010). Agency theory views organization as a nexus of contracts between principals and agents, and argues that because of goal congruence and close relationships between owners, managers of MSEs and employees; principal-agent conflict is reduced in MSEs and leads to higher performance (Bhagat et al., 2010). RBV in MSEs research on the other hand argues that close friends, social network involvement helps develop firm resources and capabilities that contribute to firm performance (Sirmon & Hitt, 2003).

Some studies of small firm performance find that such businesses possess hard-to-duplicate capabilities such as trust and reputation, integrity, commitment to relationships and human capital (Sirmon & Hitt, 2003). RBV recognizes the important of institutions to firm performance (North, 1990). An institution-based view focuses on the embeddedness of firms in the institutional environment. In their study of barriers to small firms in Nairobi's garment industry, Ongile and McCormick (1996:49) argue that six institutional factors determined the growth of firms. These six factors are an entrepreneur's attitudes towards risk, demand for goods, and services, economies of scale

(firm size), various government policies, access to all kinds of resources and finally the entrepreneurship traits of the individual firm owner manager such as alertness to opportunity, creativity and willingness to think big and take some risks. According to Ongile and McCormick (1996) the number one barrier to the growth of small firms in the garment sector in Nairobi was weak demand and that six out of eight cases cited it as the most inhibiting factor to firm performance.

Whereas entrepreneurial trust and business owner's responses to risk are rooted in entrepreneurial behaviour, government policies and access to resources belong to institutional contextual domain of business. Thus as Baumol (1990) argues cogently, societies everywhere are not short of entrepreneurs as they are an outcome of normal social and economic needs of people, but what they do, whether productive, unproductive or destructive greatly depends on the incentive, reward structure of the economic institutions in a given country or region. Nation differ in their economic success through the performance of business firms because of their different social, economic and political institutions, the role influencing how the economy works, and the incentives that motivate people. The economic institutions of a society are key determinants of the outcome of the 'game of entrepreneurship' as they together with the political institutions fix the rules that govern incentives that influence firm performance (Acemoglu & Robinson, 2012). However the rules and institution can cut in both ways and become a 'double edged sword' to firm performance (Khayesi, 2010).

In a personal communication, the chairman of Kenya Forex Bureau Association (KFBA) informed that if it were possible many small businesses would opt to remain informal because of the huge costs of becoming formal, registered with the relevant regulatory organizations. He said the costs of shifting from the informal sector operating unregistered to the formal sector includes annual subscription fee, Ksh 75,000 with the KFBA, annual licensing fee with the Central Bank of Kenya 75,000, annual licensing fee with the county governments of similar range, insurance and security fees, KRA tax, National Health Insurance Fund (NHIF) and National Social Security Fund (NSSF) charges and other miscellaneous fees including county government charges for using billboards, add up to over 35 percent of business operating costs.

Many owners of MSEs in Kenya argue that as it is now the combined psychological, time and financial costs of formalizing micro and small businesses far outweighs the benefits that accrue to the owners. Only the most motivated and ambitious are willing to persevere with all the web of the compliance costs. Thus, the KFBA case one example of negative aspect of regulatory institutions on firm performance and the concerns are similar in every sector in Kenya. In spite of these cost concerns of business firms, the literature strongly suggest that the performance and competitive advantage of MSEs and their motivation to take risks, innovate and improve their performance depend on the availability of supportive and encouraging economic institutions and public, state services (Kirby, 2003). Therefore it is not surprising to observe that some region experience a greater abundance of small businesses than others and higher firm performance, firm growth and profitability. Economic institutions such as large firms,

financial organizations play a large role in this regard (Banerjee & Newman, 1993).

Majority of past studies particularly on firm competitive strategies used the constructs "external business environment" and "large organizational performance" to examine the moderating role external institutions played on performance (Aosa, 1992; Waweru, 2008; Machuki, 2010). The term external business environment suggests a number of complexes, overlapping shades of factors affecting jointly and individually firm performance. According to Rwigema (2011), the main thrust of external environment heavily influencing on firm performance are eight, forming what he described as the PESTLIED framework; political, economic, social, technological, legal, international, ecological and the demographic composition of the society.

Thus, for the sake of parsimony, this thesis utilized only two; social and economic institutional factors, as moderators of the relationship between entrepreneurial behaviour and performance of specifically MSEs, in the livestock sector. Based on this background, it is apparent that, whereas some studies find strong moderating influence of the relationship between entrepreneurial behaviour and firm performance, others suggest weak relationship (Covin & Slevin, 1991; Delmar, 1996). In other words, while some empirical studies were in favour of strong moderating influencing, others took the opposite view. This is as expected because of the complexity of the causes and effects of firms' performance in the context of dynamic, turbulent, complex business environment (Kirby, 2003; Parker, 2004). Based on the foregoing literature review, discussions and analysis, this thesis makes the hypothesis 3: Economic institution moderate positively the relationship between entrepreneurial behaviour and firm performance.

2.6 Entrepreneurial Behaviour, Social and Economic Institutions and Firm Performance

The proposition that a firm's business performance is the outcome of the joint of entrepreneurial behaviour, social and economic institutional variables has been accepted as a matter of conventional wisdom for quite some time now (North, 1990; Covin & Slevin, 1991; Bruton et al., 2010; Delmar, 1996). Entrepreneurial behaviour is defined by the entrepreneur's individual dispositions, traits, ability and motivation. Many studies of entrepreneurship and firm performance have focused on the differences between the individual entrepreneurs and non-entrepreneurs (McClelland, 1961).

Entrepreneurs are individuals that have a high need for achievement, and that their characteristics make them especially suitable to create business firms. The literature suggests that entrepreneurs are also individuals with internal locus of control. The theory of locus of control assumes that the people classify situations and events based on their shared perceptions. Some belief that however hard they work; goals can be achieved mainly from luck or other uncontrolled external factors. This is believed in external control (Kirby, 2003). Persons believing that the achievements of goals are dependent on their own behaviour, hard work, and motivation believe in internal control. The problem is individual behavior which is different from firm performance (Delmar, 1996). Despite behaving entrepreneurially highly, many firms still fail or performance poorly because of reasons outside the purview of the entrepreneur.

According to Bruton et al. (2010) institutional theory has proven to be a popular foundation to explore and explain these situations of suboptimal performance of firms whose owners are otherwise perfect entrepreneurs in terms of behaviours. The usefulness

of institutional theory in this regard arises firm the fact that entrepreneurship is by itself a very lively, multifaceted, multidimensional field of study with heavy contributions from other social science (Kirby, 2003:16). Sociology, psychology, economic history, and anthropology are frequently cited as the four main social science disciplines that greatly feature in the evolution and development of entrepreneurship.

According to Kirby (2003) probably the greatest sociological contribution to the study of entrepreneurship was made by Max Weber (1864-1920) through his studies of charisma and work ethic. In anthropology, entrepreneurship is about connecting two spheres in society between which there exists a difference in value, and transferring value between them.

The theory of anthropology places emphasis on entrepreneurship as opportunity recognition, and stresses that it may involve challenging some of the basic values in a community. Through works of researchers like McClelland (1961) and Schumpeter (1934), the places of psychology and economic history in entrepreneurship are well documented. The focus of much of economic history is not so much on the entrepreneur as it is on the issue of the relationship both within the enterprise, and between the enterprise and the environment. In a nutshell therefore entrepreneurial behaviour is necessary but not sufficient as an input factor for firm performance. Hence the focus on institutional theory and entrepreneurship (Bruton et al., 2010) as there are regularly emerging major trends affecting Kenyan business.

Studies suggest that the rising number of unemployed and people with no alternatives, coupled with an increasing number of college and university graduates unable to find jobs within traditional private sector corporation or national and county governments settings, helped increase the attractiveness of small and micro business start-up as a career alternative in many nations (Kirby, 2003; Stokes & Wilson, 2006). For example studies in Canada show that small firms constitute more than 98 percent of all businesses and that in the period between 1978 – 1990 over 800,000 new jobs were created as a result of small business openings (Pliniussen, 1994). However, there is one trend that needs address concerning small business management, that is the painful reality associated within business births, namely business failures not only in North America, but here in Kenya and elsewhere. According to Pliniussen (1994), while 1,763,000 new small businesses were started between 1978 and 1990, 1,380,000 businesses (78%) failed to operate during the same period.

Typically the causes of small and micro businesses trauma in Kenya can be traced to entrepreneurial behavior that is associated with internal firm level issues such as poor knowledge, inadequate start-up capital, lack of motivation on the part of the entrepreneur or socio-economic institutional issues impacting on firm performance. Legal and political issues, economic recessions, increased taxations, licensing fees, high interest rates, lack of consumer confidence in the economy, poor infrastructure, negative social behaviours, all impact on firm performance (GoK, 2005).

Entrepreneurial behaviour is an immediate outcome of personal characteristics, personal and business environment (Kuratko & Hodgetts, 2007). What this means is that business performance is multi-dimensional. The individual entrepreneurs behave in a certain manner covert-or-overt in order to actualize an entrepreneurial dream. These behaviours include sourcing for resources, risk taking, innovativeness, alertness to business opportunities, motivation and aggressive orientation towards the goals of entrepreneurship. These behaviours will come to naught without integrative and supportive personal knowledge, skills and attitude which can only be accessed through entrepreneurship trainings (Hisrich et al., 2009). In addition to personal capabilities in terms of knowledge and skills, entrepreneurs require resources.

These resources include financial and non financial, physical, human capital and access to markets and information thus the integrative mutual high expectation view of entrepreneurship. Entrepreneurship has been endorsed by formal educational and vocational institutions, governmental departments, corporations and society (Hisrich et al., 2009). Is firm performance positively related to entrepreneur behaviour as supported by social and economic institutions?

However, these arguments and findings from empirical studies suggest that opinions are divided on the combined role of social and economic institutions on firm performance together with entrepreneurial behaviour as an independent variable. This study therefore, makes the hypotheses 4: That the combined effect of entrepreneurial behaviour, social and economic institutions on performance of MSEs is greater than the individual effects of each of these variables.

2.7 Summary of Knowledge Gaps

Previous studies in entrepreneurship have either focused on the stable characteristics of the entrepreneur or the influence of institutions on firm performance (Mahmoud, 2010; Orero, 2008; Khayesi, 2010). The study of Tura and Amboga (2012) on determining sheep, goats and livestock marketing strategies performance in Marsabit County, Kenya found that high illiteracy among traders, recurring drought, limited human capital and lack of credit constrained their businesses. The study of Maalu (2010) on determination of business succession strategies and its relationship with the performance of the family owned MSEs found that succession in family owned MSEs in Nairobi was not formalized, but informally planned. The family and firm level institutions had no moderating effect on the relationship between succession and firm performance.

The studies of Khayesi (2010), Orero, (2008) and Mahmoud, (2010) also found that there were direct relationships between social capital, resource accumulation and firm performance, and that those institutional factors like taxes, movement permits, and licences affected the MSEs' performance. These studies have contextual and institutional gaps (Table 2.2).

They lack consensus on to what extent environmental conditions, such as social and economic institutions moderate the relationship between entrepreneur behaviour and firm performance. None of these past studies (Khayesi, 2010; Orero, 2008; Mahmoud, 2010) have actually tried to model and understand the impact of both entrepreneurial behaviour and the institutional context on the performance of MSEs in the livestock sector in Kenya

as this study does. Most of the studies used survey design as their methodology. Industry structure, social and economic institutional approaches share a feature in common. They do not focus on internal dynamics of the firm as performance determinant. This study proposes therefore to combine entrepreneurial behaviour, which represents the internal dynamics of the firm, and the situation of the business, social and institutional contexts, to explain firm performance.

Table 2.1 Summary of Knowledge Gaps in Previous Studies

Study	Study focus/ main objective	Methodology	Findings	Knowledge gaps
Tura, I., Amboga, S, & Tuke, Guyo (2012)	Determining sheep and goats livestock marketing strategies / performance in Marsabit County	Pilot survey	Found there was high illiteracy among traders, recurring drought, limited human capital and lack of credit constrained their businesses.	Geographical coverage limited to Isiolo County, didn't cover camels and cattle business in North Eastern region.
Buchanan et al. (2012)	Livestock trade in Darfur, Sudan determining the impact of conflict on livestock trade in the Sudan	Survey of 350 MSEs in livestock trade in Darfur, Sudan	Found that livestock traders in Darfur, Sudan faced challenges of insecurity, high cost of trade, lack of capital, high taxation, reduced supply and ethnic homogeneity of livestock traders. Larger companies were in livestock export sector. There was relationship between size of capital and exporting firms. To remain competitive, institutional support was key factor.	Study showed impact of insecurity on livestock business performance in the Sudan. But did not examine effects of entrepreneurial behaviour, social and economic institutions on performance.
Maalu, J. (2010)	Determine the nature of business succession strategies and its relationship with the performance of the family	Cross-sectional survey / case study	Succession in family owned MSEs in Nairobi were not formalized, but informally planned. That family and firm level institutions had no moderating effect on the relationship between succession and firm performance.	Context, social and institutional differences. However the study applied institution theory as it is theoretical grounding

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	owned MSEs in Nairobi, Kenya.			
Mahmoud, H. A.(2010)	Inquiring into livestock trade behaviours in Kenya, Somalia Ethiopia Boarder from anthropological point of view	Survey primary data	The Kenya-Somali borderland region constitutes a dynamic livestock trading zone. Found that taxes, stringent regulations on livestock movements, permits, licences and livestock diseases make livestock trade "profitless prosperity".	This was one of the pioneering livestock business studies in the area. But did not examine firm behaviour and performance relationships.
Khayesi, J. (2010)	Social capital and entrepreneurship : determining the cost and resources accumulation benefits of social capital	Sample drawn from survey of MSEs in ICT in Kampala	Found there was direct relationship between structural social capital, resource accumulation and firm performance. Found that religion, network size, kin composition and costs of raising resources had direct effects on resource accumulation	The study examined social capital accumulation and firm performance but did not inquire into the relationships between firm behaviour, social and economic institutions on performance.

	Study focus/ main objective	Methodology	Findings	Knowledge gaps
Pavanello, S. (2010), Knips (2004)	FAO/ILRI studies to establish general challenges facing livestock trading businesses in IGAD and West African regions.	Survey primary data	These are works of FAO and ILRI. Found that climatic environmental factors, governance and weak institutions leading to poor animal health provisions, insufficient marketing infrastructure as well as corruption and uncontrolled taxation, poor road networks and distance market and lack of livestock market, information caused livestock MSEs not to perform well.	The study was done with policy issues in focus and did not cover firm level behaviours as well as social and economic institutions and performance of livestock business.
Musinga, et al (2008)	Objective was to establish the market size of camel milk in Kenya.	Industry market survey	Provided an important insight into Kshs 8 billion size annual camel milk market in Kenya. Found infrastructural, social, institutional and human capital as the key determinants of the success of the milk traders.	Study covered only the camel milk industry, not the livestock business and their social and economic institutions affecting them.
Orero R.A (2008)	Entrepreneurship and Social Capital. Objective to ascertain what determines whether traders use formal or informal routes for cross-border trade between Kenya and Tanzania.	Sample drawn from survey of traders	Found that the level of physical financial and social capital of the informal traders determined whether to use the formal or informal routes in crossing the border. Those with more resource used the formal routes of border crossing.	Study examined effects of social capital on trade performance but did not study livestock business.
Delmar, F. (1996)	Entrepreneur behaviour and business performance: six empirical paper on entrepreneurial behaviour from a psychological perspective	Mix of stratified random sampling, survey and purposive sampling of 730 entrepreneurs and their enterprises categorized into three; "super-entrepreneurs, small and failed enterprises"	Institutional and social factors restrict entrepreneurial performance. Entrepreneurial behaviour is limited to tasks that can be under the control of the entrepreneur.	Provides good entrepreneurial behaviour theoretical groundings. Study focused only on entrepreneurial from psychological perspectives. Social and economic context differ.

Source: Researcher 2015

2.8 Conceptual Framework

A theoretical conceptual framework is the foundation of the seven step process in the hypothetic-deductive scientific research method which is the basis of the hypothesis that researchers develop as the objectives of their studies (Sekaran & Bougie, 2010). According to Bryman and Bell (2007) the seven steps process involves identification of a broad problem area of study, defining the statement of the problem, hypothesizing, determining measures, collection of data, analysis of data and the interpretation of results. Hypothesis testing is a deductive in nature because it tests a general theory. This is the scientific approach to research as espoused by some of the leading philosophers of science (Chalmers, 1976; Popper, 1962, 2002a; 2002a; Kuhn, 1960). The scientific approach reckons that scientific knowledge progresses by guesses or conjectures; these conjectures are then subjected to critical tests, which may or may not survive (Popper, 1962).

Framework is a structure that illustrates conceptually the relationship of a set of variables in the form of beliefs, ideas and rules that scholars utilize as groundings for making decisions and opinions (Okeyo, 2013). Framework is logically described and elaborated associations of study variables deemed relevant to the statement of the problem. The study variables in the conceptual framework are normally identified through such processes as literature review, observations and field interviews. Some researchers argue that experience and intuition also strongly guide the development of the theoretical conceptual framework (Cooper & Schindler, 2008:57). However literature review provides a solid theoretical foundation for conceptual framework as it identifies the variables that might be important as determined by the findings of the previous, extant studies in the field. Cooper & Schindler (2008:57) define concepts as

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a generally accepted collection of meanings associated with certain events, objects, conditions and behaviours. They are the building blocks of theory and represent the anchor points around which studies of business firm are conducted. Entrepreneurial behaviour, institutions, performance, intelligence are examples of concepts. The challenge is that concepts have progressive levels of abstractions and thus problems of measurement and researchers refer to as constructs the most abstract of concepts (Bryman & Bell, 2007). Through the process of conceptualization, concepts are utilized in studies to give meanings to the variables of the study and visualized their broad interrelationships with the view of determining cause and effect linkages.

In this thesis, a conceptual framework composed of different and yet related strands of theories composed of entrepreneurship, entrepreneurial behaviour, social and economic institutional theories, resources-based view and the role of government in entrepreneurship was utilized as conceptual theoretical framework lens for the study. The conceptual framework for this thesis builds on the definition of entrepreneurship as a system that includes the entrepreneurs, their behaviours, social, economic institutions and government actions, the desired outcome of which is increased levels of entrepreneurial activity and better ultimate firm performance leading to sustained achievement of entrepreneur's objectives (Lundstrom & Stevenson, 2006).

In this conceptual framework, three integrated theoretical perspectives are used upon which the study was anchored. These theories are entrepreneurial behaviour of the individual entrepreneurs, institutional theory and resource based view. The two strands of institutions are social and economic institutions. As the literature strongly suggest all the variables influence how firms are created, enter a market run, regulated

and accumulate resources thus affecting the growth and survival – performance. Entrepreneurship is multi disciplinary, multifaceted and multilayered and therefore these integrated theories build on each other to help better understand, explain predict and manage firm performance. Entrepreneurial behaviour perspective for instance, dwells on the role of entrepreneurs as individuals on venture creation and firm performance. On the other hand institutional theory helps to explain forces that shape and determine firm performance – apart from the entrepreneurs themselves. Resource-based view (RBV) and effectuation theories also assist to understand and predict how the resource scarcities due to heterogeneity in the predictor variables influence the MSEs performance. Based on this background of the conceptual theoretical framework of this thesis, three predictor variables are reckoned to have independent and moderating direct influence on MSEs performance. Besides, it was argued that two of the predictor variables social and economic institutions had moderating influence on performance. It was proposed that the combined influenced of the three predictor variables had greater effects on performance than the effects of each individual variable.

Business performance (DV) is determined by the entrepreneurial behaviour of the entrepreneur H_1, growth, profitability, age of business and sales volume act as measures of performances. Entrepreneurial behavior is defined by the observable actions taken by the entrepreneur such as getting business license to operate business or becoming a member of an association. The entrepreneur's actions are based on his or her ability and motivation. The concept of ability is based on declarative knowledge, knowledge about facts and requirements for a given tasks (cognitive knowledge and procedural knowledge). The actions of social and economic institution

from family, networks, business associations, market structure to government policies and financial services in form of SACCOs have a strong, contingent effect on the entrepreneurial behaviour – performance relationship H_2 and H_3. Jointly entrepreneurial behaviour, social and economic institutions influence firm performance, H_4. The inter-variable relationships presented in this conceptual framework model are summarized in Figure 3.2.

Figure 2.1: Conceptual Model

Moderating variables

Economic institutions
- Government policies, law and actions
- Market structure / financial services
- Sacco/transport arrangement

H_3

Entrepreneurial Behaviour
- Achievement need / motivation
- Legitimacy / opportunity identification
- Risk taking, locus of control
- Tolerance of ambiguity
- Effectuation / decision making

Performance
Growth, profitability, sales volume, export, employees, age of firm,

H_2

Social institutions
- Cultural habitat / Family/kinship networks.
- Reciprocity trust yielding networks
- Business association / networks

H_1 Moderating variables

Independent variables   Dependent

2.9 Research Hypotheses

A hypothesis is defined as a tentative, yet testable, statement which predicts what researchers expects to find in their empirical studies. A hypothesis is also defined as a scientific statement about observable phenomena that may be concluded as true or false (Sekaran & Bougie, 2010; Cooper & Schindler, 2007). For science is not the mere collection of facts, though this is necessary; it is a system of logical correlations of those facts cementing together hypothesis or body of theories (Ronan, 1984). Hypothesis is often conjecture, a declarative statement about the relationships between two or more variables. Hypothesis and research questions are all informed by theories. Theory is a formulation regarding the cause and effect relationship between two or more variables which may or may not have been tested (Saunders et al., 2008). Hypotheses are normally part of a sound conceptual argument, but they hardly contain logical suggestions as to why empirical relationships are expected to occur. That is why a hypothesis does not need to be true or false but has to be empirically tested. In occasions when a hypothesis is not accepted, scholars have suggested that such moments create opportunities for further examination of the study.

Different studies have used hypotheses to investigate various objectives in their studies (Okeyo, 2013; Machuki, 2011; Aosa, 1992; Lumpkin & Dess, 1996). Lumpkin and Dess (1996) for instance used the hypothesis method to test the effect of entrepreneurial orientation on firm SME performance. In a similar approach, Okeyo (2013) used the hypothesis approach to examine the relationships among entrepreneurial orientation, business environment, business development services and performance of SMEs in Kenya's manufacturing enterprises. This approach of examining how a number of variables are connected is described as relational

hypotheses (Cooper & Schindler, 2008) and it is here that explanatory hypotheses becomes useful to suggest that the existence of or a change in one variable leads to a change in the other variable. The causal variable typically is defined as the independent variable and the other the dependent variable.

The popularity of hypotheses in research arises from these four functions: it guides direction of the study, it identifies relevant fact from those that are not, suggest most appropriate form of research design and provides a framework for organizing the conclusions that result thereof (Cooper & Schindler, 2008:66). In making hypotheses, or testable propositions researchers have made distinction between directional and non directional hypotheses. When the relationships between two variables are compared using such terms as positive, negative, more than, less than, and the like then these suggest directional hypotheses because the direction of the relationship between the variables a positive / negative is indicated (Sekaran & Bougie, 2010:88). Non-directional hypotheses on the other hand, are hypotheses that suggest relationship or difference but do not indicate the relationship of these relationship or difference. Often non-directional hypotheses are developed either because the relationships or differences have never been explored or because of conflicting findings in the previous studies on the variables (Sekaran & Bougie, 2010:88).

This study has taken similar approach as those of Okeyo (2013); Machuki (2011); and Lumpkin and Dess (1996) in which specified hypotheses were developed to test different relationship among these variables. As one Abu Yusuf al –Kindi, a Yemeni philosopher born in 1801 correctly observed of the imports of relationship hypothesis testing, that the efficacy of an outcome (performance), is proportional to their

component parts and the combined performance of the variables could not be reduced to the behaviours of only one of the variables to the exclusion of the others (Ronan, 1984). The thesis has one response variable and three predictor variables. The criterion variable is conceptualized as performance and the predictor variables, presumed cause or antecedents comprised of entrepreneurial behaviour, social and economic institutions.

The selection of performance as a dependent, measured outcome variable is based on the fact that performance is the ultimate reason for the existence of any business. These variables of the thesis, entrepreneurial behaviour, social and economic institutions are the primary determinants of MSEs performance which is the focus of this thesis. This study therefore formulated four main objectives as the key cornerstones to guide examination of the different hypotheses. Each of the objectives which are presented in chapter one section 1.3 was constructed as inter-variable relationships before reformulating them into hypotheses. The hypotheses were thereafter presented in the conceptual model in Figure 3.1. The literature review and convention wisdom of entrepreneurship posit the relationship shown in the model which the researcher argues to exist among the variables.

According to the conceptual model, Figure 3.1 hypothesis H_1 stipulates that there is significant relationship between entrepreneurial behavior and MSEs performance. Additionally, the study model, reckons in hypotheses H_2 and H_3 that the relationship between entrepreneurial behaviour and MSE performance is moderated by social and economic, institutional factors. Finally, H_4 posits that there is a combined effect of all the predictors on the dependent variable and this effect is greater than the separate

individual influence of each predictor variable. This thesis therefore tested the relationship by rejecting or failing to reject each of the four hypotheses, also presented here below, for the purpose of enabling the study to achieve the objectives formulated at section 1.3.

H$_1$: Entrepreneurial behaviour has significant influence on MSEs performance.

H$_2$: Social institutions moderate the relationship between entrepreneurial behaviour and MSEs performance.

H$_3$: The activities of economic institutions moderate the relationship between entrepreneurial behaviour and MSEs performance.

H$_4$: The combined effect of entrepreneurial behaviour, social and economic institutions on performance of MSEs is greater than the individual effects of each of these variables.

2.10 Chapter Two Summary

This chapter has presented the literature review of the study variables and the relationships of these variables. The chapter examined the historical evolution theories of the concept of entrepreneurship before discussing the theoretical foundation of the thesis. In this regard, the literature on the conceptual theoretical framework consisting of theories of entrepreneurial behaviour, social and economic institutions were reviewed in detail. Literature on Resource based view and Principal-agency theories, which are relevant in this thesis in the circumstances of firms operating in resource constrained, environment searching for resources have been reviewed in some critical detail. The anchor theories of the thesis which are entrepreneurial behaviour, institutional theory and resource based view were

thoroughly examined. The chapter has equally reviewed literature on the relationships between the three variables of entrepreneurial behaviour, social and economic institutions in the context of the objectives of the thesis. This chapter also presents empirical literature on the relationships between the three variables of entrepreneurial behaviour, social and economic institutions in the context of small firm performance. To this end, the hypothesized non-directional relationship between entrepreneurial behaviour and firm performance was reviewed in some detail.

Similarly, the literature on the effects of social and economic institutions on this relationship was reviewed. Finally, literature and empirical studies investigating on the influence of social and economic institution on the relationship between entrepreneurial behaviour and the firm business performance were reviewed. Based on this background, it has emerged that entrepreneurship as a field of research "is never few theories fit all". The literature reviewed suggest a continuous dynamism of the discipline of entrepreneurship research and demonstrate what Okeyo (2013:63) describes as an evolutionary pattern from theory building and terminology definition to clearer conceptualization of entrepreneurship dimensions. Despite the huge academic and professional interest in entrepreneurship and small business research during the past four decades or so, the concept of entrepreneurship has yet to solidify into fairly predictable discipline with 'natural science' like theories.

It has been argued that economy is the queen of the social sciences and entrepreneurship is the jewel in the crown of the queen of economies. Thus it's never possible to be definitive about the findings and conclusions of entrepreneurship as the variables in play are always complex and some even never obvious. The literature

reviewed further showed some gaps in knowledge which this thesis endeavored to close. This chapter summarized the gaps in literature. Similarly the chapter presented the conceptual framework as well as the model and the four, hypotheses that were tested in order to achieve the objectives of the study. The next chapter four presents research methodology of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodological approach that was applied during the process of this study. The chapter specially outlines in detail the approaches that were followed from the philosophical standpoint, to the actual practical methods adopted during the data collection and analysis. The chapter reviews the research philosophy, research design and population of the study using both approaches: survey and case studies. This chapter also presented outline of data collection, methods for measuring study variables, a description of the methods used to ensure validity and reliability of the instruments and data analysis procedures. This chapter further discusses the choice of statistics outlining how the study hypotheses were tested, leading to study findings, results, conclusions and recommendations.

3.2 Research Philosophy of the Study

A research methodology is about the procedural framework within which the research is conducted. Amaratunga et al. (2002) posits that research is usually conducted in the spirit of an inquiry, which relies on facts, experience, data concepts and constructs, hypothesis and conjectures, principles and laws and argues that philosophers of science and methodologies for some time have been debating how best to approach research. In contrast to the definition by Amaratunga et al. (2002) on research methodology, a common definition of methods can be described as the technique and instruments of data collection that researchers employ such as observations or interviews questionnaires, statistical techniques, extracting themes from unstructured data and sampling to name a few (Bryman & Bell, 2007; DeMarrais & Lapan, 2004).

Scholars have however, argued that before dwelling on the design of the research methods, it is imperative for the researcher to understand the underpinnings behind their chosen research aim, 'the outer cover of the research onion' (Saunders et al, 2009: 106) and the link between reality (ontology) and knowledge (epistemology) based on the objectives of their research. The emphasis here is that the questions of methods are secondary to the questions of paradigms which Saunders et al (2009:106) defines as the basic belief systems or world view that guides the research, not only in choices of methods, but ontologically and epistemologically in fundamental ways.

In this regard Collis and Hussey (2003) suggest that in choosing an appropriate ontological assumption (philosophical view of the study), the researcher must decide whether reality is considered as objective, singular and external to the researcher or conversely whether reality is considered as subjective and multiple hence only understood by examining the perceptions of a selected sample size. Whichever perspective the research adopts, it will affect the methodological approach the researcher chooses in research and in turn the findings of such research. The concern of research philosophy is not only about the development of knowledge but the nature of that knowledge.

According to Collins and Hussey (2003) ontology is concerned with the nature of the social world and what can be known about it. Therefore, in wording the research aims, the objective was not to prove the link of entrepreneur behavior, social and economic institutions and performance; however, it was to understand the influence of these variables on performance of MSEs in the Livestock sector. Henceforth, the researcher was comfortable with adopting a rather subjective ontological assumption

(Saunder et al, 2007; Collis and Hussey, 2003) to the study based on the research aim. Whereas positivism is associated with quantitative approach, phenomelogical, interpretivism or symbolic interactions is associated with qualitative approach. Although some would argue that, phenomenologism philosophy is highly appropriate in the case of business and management research (Saunders, 2009:116), others posit that deductive theory building, hypotheses testing, conceptual frameworks and causation process are positivist assumptions. Positivist approach can thus be applied to test the study hypotheses, thereby making problem solving follow a methodology of propositions formulating and testing (Usher, 1998). Therefore, in wording the research aim and hypotheses, the objective was focus on hypothesis testing based on theory hence the researcher was comfortable with adopting a rather positivist assumption (Easterby-Smith et al., 2008).

3.3 Research Design

This study used a cross-sectional survey method. The design allowed the collection of quantitative data which was analyzed quantitatively using descriptive and inferential statistics. The survey design is so often associated with the deductive approach and is the most common research design in business and management research. The survey was seen to be appropriate as it tends to be used for descriptive and theory testing research. Additionally, the data collected using survey design was used to make findings suggesting possible reasons for particular relationship between the study variables and to produce hypothesis models for these relationships.

Similar studies (Khayesi, 2010; Orero, 2008; Maalu, 2010) used survey research design. Research design is the general plan of determining the purpose of the research and turning the objectives of the study into a research projects and help answering the research questions. It involves research strategies, research choices, time horizons, ethical consideration and challenges encountered during the field data collection exercise. Selection of research designs or strategies are normally guided by the nature of research questions and objectives, the extent of existing knowledge, the time and other resource available as well as the philosophical underpinnings of the study (Amaratunga et al. 2002).

There are strong scientific justifications for a well thought and structured research design. First, research is defined as an organized, systematic, data based, critical, objective, scientific inquiry into a specific problem that needs a solution (Sekaran & Bougie, 2010:18). Findings based on the results of a well done scientific study tend to yield the intended results in congruent with the objectives of the study. Scientific research study has well defined characteristics: purposiveness; rigour, testability; replicability; precision and confidence; objectivity; generalizability and parsimony (Nachmias & Nachmias, 1992).

Second, scientific research focuses on solving research questions. It pursues what Sekaran and Bougie (2010) describe as methodological, step-by-step logical, organized and rigorous method to identify problems, gather data, analyse them and draw valid and reliable conclusions from them. Third, the scientific justifications for research design are based on the fact that a well designed research is not based on hunches, experience and intuition; instead it is purposive and rigorous. Scientific

research design enables all those who are interested in researching and knowing about the same or similar issues to come up with comparable findings when the data are analyzed. In terms of time horizons, the research could either be cross-sectional or longitudinal. Whereas experiment owes much to the natural sciences, action research concerns more with real, applied organizational issues, grounded theory with theory building through a combination of induction and deduction, archival research makes use of administrative records and documents as the principal source of data (Bryman & Bell, 2003).

Case study design is most appropriate for capturing the context of the research and the process being used in detail (Cooper & Schindler, 2008). A case can be most representative if it is chosen judgmentally, rather than randomly and the data is usually qualitative, and hence a case study is characterized by most features of a qualitative study. In contrast, Malhotra (1993) argues that a survey study occurs when data is collected from many or several study units. If it is collected from all members of the population of interest, the study is a census survey and a sample survey if data is collected from only a portion of the population of interest. A survey study data is usually quantitative and bears characteristic of quantitative studies. Survey design methods are widely used in business and management research and "are most frequently used to answer who, what, how much and how many questions, making it suitable for descriptive and inferential statistics" (Saunders et al., 2009:114).

The main objective was to establish entrepreneur behavior influences firm business performance in the context of social and economic institutions as the moderating variables. Further, to test hypothesized statements for the purpose of enabling study

objectives formulated in chapter one section 1.3. The complex nature of the study demanded a multi-method approach. The thesaurus of social research methods typology as described by Logchem et al (1996) and Nachmias and Nachmias (1992) aims to encourage the use of mixed methods, a combination and integration of qualitative and quantitative approaches. As stated by Bryman and Bell (2007), the investigation employed on methods associated with one research strategy (qualitative) is cross checked with the other research strategy (quantitative) which should result to greater confidence of the research findings. Other past studies (Orero, 2008; Maalu, 2010) employed a similar approach.

3.4 Population of the Study and Census Survey Design

Research methodology, which has been described as a structured, detailed procedure within which inquiries are done and hypothesis tested (Amaratunga et al., 2002) has three agreed principles. These are that research is a process of inquiry and investigation, it is systematic involving population of study with sampling process as appropriate and it increases knowledge (Colli's & Hussey, 2003). Thus the target population `of this study was defined as all the micro and small enterprises in the livestock sector operating in the three counties of North Eastern Kenya. North Eastern Kenya consists of the three counties of Garissa, Wajir and Mandera (Map Appendix IV). The MSES which were the target of this study operated mainly in these counties although some MSEs have presence in Nairobi and Mombasa and Narok for various reasons related to the special needs of the animals. The records of Garissa, Wajir and Mandera Counties livestock marketing council offices indicate that there were 145, 78 and 82 registered livestock trading firms (summing up to 305) as at 31st May 2014. This was the sampling frame of the study which was also the population. The

population of the 305 micro and small enterprises (MSEs) licensed by the County governments and having their main business bases in Garissa, Wajir and Mandera, trading in cattle, camels, goats and sheep. The unit of analysis was at the firm level. Majority of them were traders in the category of micro and small enterprises as defined by the MSEs Act 2012. According to the county's officials in the departments of agriculture and livestock developments in the respective counties, the concerned MSEs had total membership of 1,220 persons, making an average of 4 persons per business.

In actual practice, it is estimated that the number of livestock traders in form of groups or individuals in the three counties were more than the population given of 305, approximating to 600. Some micro businesses deal in milk trade, others in hides and skin, even bones and while still others are ad hoc traders' involving in livestock trade on the basis of opportunistic moment without prior planning and then abandoning it when the 'right moment' is no longer prevailing.

The micro and small enterprises in the livestock sector in the North Eastern region in the three counties were comprised of individuals and groups, registered or unregistered, formal in kind or highly informal dealing in various aspects of animals and animal products. In this study, only those firms dealing in cattle, camels, goats and sheep within the respective counties or bringing them to the terminal markets of Nairobi and Mombasa and which were members of the respective county livestock marketing councils were considered as part of the target, final population of the study. It is in view of this background that it was felt it was more advantageous for this study to use the census approach rather than sampling method. Waweru (2008), targeted a population of 300 with a drawn sample of 170 firms and but achieved 71 respondents

equivalent to 24 percent rate of response. In contrast, whereas the target population was 305, data was collected from 191 firms responded resulting to a response rate of 64 percent classified as "acceptable" (Mangione, 1994).

3.5 Data Collection

The primary objective of this study was to examine the moderating effects of social and economic institutions on the relationship between entrepreneurial behavior and the performance of business firms in the livestock sector in North Eastern Kenya. The study adopted a cross-sectional survey design in which data was collected using survey instrument research questionnaire, Appendix I. The data collection was done during the months of June and August 2014 with a follow up interviews in the month of October 2015 (Field Study Report, Appendix III). As McCormick (1998:281) argued, follow-up interviews provide additional depth of responses and to make up in part for the deficiencies of the survey method. Once a research problem is defined and clearly specified, the research effort logically moves to data collection. "There is a need to exercise utmost care while collecting data because data constitute the foundation of which the superstructure of statistical analysis and the findings of the study are built" (Bryman & Bell, 2007).

Data may be obtained either from primary sources or the secondary source. Whereas a primary source is the one that the study itself collects the data, a secondary source is one that makes available data which were collected by some other agency, at some other time period, usually for other purposes other than that of the research at hand, but which is found to be relevant, accurate, sufficient and in appropriate format (Crouch & Housden, 2003). The purpose of the data collection, whether quantitative

or qualitative, was to get reliable and valid details on entrepreneurial behaviour, social and economic institutions and firm performance of the firms which were subject of this study. Birley and Moreland (1998) argue that it is imperative to distinguish between qualitative and quantitative methodologies reflecting the distinction between paradigms of reality and knowledge for research strategies. Bryman and Bell (2007) advocates for a more than one method to be associated with one research strategy as it increases accuracy and the findings of the research.

3.5.1 Case Studies

Micro and small enterprises owners more often than not keep incomplete records. They treat data regarding their firms private, confidential and personal. It is for this reason that many studies use data collected on the basis of Likert scale rather than direct financial performance measures such as profits and annual turnover and balance sheet figures. This is deemed to be major challenge facing researchers wishing to study performance of micro and small firms. Thus many researchers opt to study instead large firms with published financial accounts like those quoted in Nairobi Stock Exchange (NSE) (Waweru, 2008; Machuki, 2010). Additionally there were a number of challenges the researcher had to overcome in order to carry out an objective, reliable study of appropriate quality and scope befitting a research of this magnitude.

The first hurdle was identifying the most suitable firms for case study analyses. There was need to develop some agreeable criteria for selecting a given firm as a case study. The firms selected were drawn from Garissa, Wajir and Mandera counties. Garissa County is famed for cattle, Wajir for camels and Mandera for goats and sheep. Seven

firms were selected as case studies on the basis of those who were most ready to participate in the study. Three firms were selected from Garissa, two from Wajir and two from Mandera. This geographical and livestock specific criteria was expected to identify any contextual narratives that may influence their performances. The specific cases were purposively selected from the survey method. The selection of the seven cases was based on pre-determined parameters.

The selected firm had to be at least four years old, had license from the concerned authorities, had balance sheet value of at least Ksh 500,000/- net worth, being a member of local county livestock marketing council and finally the owner managers agreeing to provide the financial records of their firms of at least the past three years and further agree to participate in providing need information through focus group discussion. The second challenge was getting willing cooperation of the MSEs owner managers to participate in the case studies and spare their valuable time. They often asked "what is in it for us? How does your study benefit our business? We are very busy". The idea of collecting research data about their respective businesses was not familiar to them. As Maalu (2010) also rightly observed, owners of micro and small business fear that information collected from them might get to their competitors or even used against them by the tax authorities.

This challenge was overcome by way of persuasively explaining to them and giving evidence that the entire exercise was for academic purpose only and that the information would be confidential and their privacy respected in accordance with the ethical standards they expected. Detailed field report is given at the appendix III. The detailed case interviews followed the same pattern as the survey but provided an

opportunity for the respondents to give more specific account relating to the particular issues relevant to the study variables and the conceptual framework of this study and the research questions. The case studies were conducted by the researcher personally, assisted by research assistants during the interview who were also taking additional notes. The notes from the researcher and the assistants were then collated and used to write the case study details. Probing techniques were used as appropriate in order to get more detailed information where and when it was necessary. The case study analysis formed part of chapter six and its findings part of chapter seven.

3.6 Reliability and Validity Tests

Scholars have observed that underpinning any discussion on research design is the issue of the credibility of the research findings and thus the ability of the evidence and the conclusions of the study to stand up to the closest scrutiny (Saunders, et al, 2009). Credibility of research findings could be threatened by four error sources: the measurer (researcher), the respondent, the situation and the data collection instrument (Cooper & Schindler, 2008). The goal of scientific methodology is simply reducing the possibility of getting the answers to any study questions wrong. The error source of measurements taker could contaminate the results because the interviewer can distort or misrepresent by recording or paraphrasing responses. Further, the researcher through careless mechanical processing of interviews might do incorrect coding, careless tabulation and even incorrect statistical analysis and therefore introduce unintended errors. A defective study instrument could cause distortion in the research in two ways; First, it could be too unclear and ambiguous and second, it could be having poor selection from the universe of content items, having left out potentially important issues. In this regard Bryman and Bell (2007) argue that the three major

criteria for evaluating study instrument as a means of data collection are reliability, validity and practicality. The four error sources mentioned have caused variations in the data collected in some past studies (Sekaran & Bougie, 2010).

3.6.1 Reliability Test

Reliability is the similarity of results provided by independent but comparable measures of the same object, trait or construct. The reliability of an instrument shows the extent to which the instrument is without bias and hence ensures consistent measurement across time and across the various items in the instrument (Sekaran & Bougie, 2010: 161).

In other words reliability of a measure is the demonstration of the consistency and stability with which the study instrument measures the variable and thus enables to evaluate the "goodness" of the study instrument. Evaluating the reliability of study variable consists of determining how much of the variation in the scores is due to inconsistencies in measurement. Thus Bryman and Bell (2007) argue that the reliability of the instrument is determined normally before use for the study not thereafter. Bryman and Bell (2007) further posit that reliability is fundamentally concerned with issues of consistency of measures and has three different meanings: stability, internal reliability and inter-observer consistency.

Reliable instruments are robust, that is they work well at different times, under different situation. This distinction of time and condition is the basis for the perspectives on reliability of stability, equivalence and internal consistency. A measure is said to possess stability if one can secure consistent results with repeated measures of the same constructs with same instrument. An observation procedure is

stable if it gives the same reading on a particular behaviour on a specific person when repeated on a number of times (Saunders et al, 2009). Equivalence is concerned with variations at one point in time among observers and samples of items; while the internal consistency of measures indicates the similarities of the items in the measure that form elements of the construct. The items, in other words, should hang together as a set, and be capable of independently measuring the same concept so that the respondents attach the same overall meaning to each of the items (Sekaran & Bougil 2010:162). This study was cross-sectional where data collection was time wise, not longitudinal; thus the concern for this study regarding reliability was basically on the extent by which the measurements remained consistent across different respondents in the three counties of Garissa, Wajir and Mandera.

To test for reliability Sekaran and Bougie (2010) suggest that test-retest (a kind of a follow-up interview), parallel form of reliability where two comparable sets of measures tapping the same construct are tested for correlation and split-half reliability as some of the popular methods for measurement instrument for reliability. However, still Sekaran and Bougie (2010: 163) makes the recommendation that "in almost all cases, Cronbach's alpha can be considered a perfectly adequate index of the enter item consistency reliability." In this regard, therefore this study determined consistency reliability of its data collection study instrument using the Cronbach's tests as summarized in Table 3.2. Although Cronbach's alpha has become popular tool for reliability tests for researchers' questionnaire study instruments, it has also attracted mixed responses with respect to its efficiency and effectiveness as means of evaluating the reliability of questionnaire instrument (Nunnally, 1978). Whereas, some researchers such as Nunnally (1978) recommended that an alpha coefficient of

0.5 or above is adequate for determining internal consistency, others have used and recommended Cronbach's alpha values of 0.7 and above (Maalu, 2010). In view of these discussions on alpha coefficient, this thesis takes the same view and used 0.6 as the minimum to ensure that the measurements from the study instrument achieved a high level of reliability.

The relevant instrument analyzed for this purpose was administered to two livestock MSEs in Isiolo County due to its proximity to Garissa, Wajir and Mandera Counties. Scores from even numbered items were correlated against scores obtained from odd numbered items. Data collected in the pilot study was analysed using Spearman's Correlation Coefficient at the significance level of alpha = 0.05 (Orodho, 2004).Internal consistency of the research instrument was measured through the Coefficient Alpha.

According to Nachimias and Nachimias (2004), Cronbach Alpha is used to measure the reliability of a research in which a Likert scale with multiple answers is used to collect data. This study adopted the Likert scale as the instrument for data collection. Internal reliability was employed by grouping questions in the questionnaire that measured the same concept. The results of the reliability test are shown in Table 3.1.

Table 3.1: A Summary of Cronbach's Alpha Test Results

Variable	Number of items	Cronbach's alpha (standardized)	Comment
Entrepreneurial behaviour	26	0.749	Reliable
Social institutions	6	0.715	Reliable
Economic institutions	18	0.655	Reliable
MSE performance	3	0.652	Reliable
Overall reliability	53	0.6825	Reliable

Source: Researcher (2015)

According to the data obtained, the reliability score measured through the coefficient, alpha score measured 0.6825. This measure indicates the degree to which the findings of the study are internally consistent and free from error (Sekaran & Bougie, 2010:325). Coefficient of Alpha value varies from 0 to 1 and a value of 0.6 or less indicates poor internal consistency whereas scores of 0.6 or above indicate acceptable levels of internal consistency, reliability of instruments used for this research therefore stands at approximately 68.25%.

Entrepreneurial behaviour was evaluated using 26 items which computed an alpha value of 0.749. Equally social institutions were measured on a scale with 6 items which produced an alpha value of 0.715, while economic institutions which were determined from a scale with 18 items resulted an alpha value of 0.655. Finally MSE performance which was determined using 3 items resulted at an alpha of 0.625. These tests show that alpha value for the variables all satisfied the study's ground rule of 0.6 and above. The summary results of the Cronbach's alpha tests in this regard indicate that reliability tests for the items in the study instrument were acceptable at a level beyond the 0.6 threshold.

3.6.2 Validity Test

The concept of validity is concerned with the goodness of measures and researchers used different terms to denote the several ways of testing the validity of study instruments (Sekaran & Bougie, 2010). Validity is said to be concerned with whether the findings of the data are really about what they appear to be about. Validity is the accuracy and meaningfulness of inferences that are based on the results of the research (Bryman & Bell, 2007). Here the concern of the researcher is whether the

findings possess the needed integrity and value of their pragmatic validity. Validity is distinguished from reliability because if a measure were valid, there would be little need to worry about its reliability. This means validity is both necessary and sufficient for the quality and integrity of data collection measurement. Validity is also differentiated from reliability in that validity is represented in the agreement between two attempts to measure the same trait or construct through maximally different methods, whereas reliability is the agreement between two to measure the same trait through maximally similar methods (Bryman & Bell, 2007: 539).

Scholars of the field argue that if a measure was valid, it simply reflects the characteristic that it was suppose to measure and was not distorted by other factors, either systematic or transitory. The problem for researchers is to develop measures in which the score observed and recorded actually represent the true score of the constructs being measured, where $X_0 = X_T$. The approach of pragmatic validity focuses on the usefulness of the study instrument as a predictor validity criterion-related validity.

The score of pragmatic validity is used to predict the criterion of performance (Saunders et al., 2009). Pragmatic validity is ascertained by how well the measure predicts the performance or a specific behaviour. Pragmatic validity is relatively easy to assess. It only requires a reasonably valid measure of the criterion with which the scores on the measuring questionnaire are to be compared. Some kind of correlation coefficient, between the scores on the study instrument and the criterion variable is required by the researcher in order to establish the presence of strong validity or not.

In the context of this study, pragmatic validity help to differentiate individual

entrepreneurs who possess high entrepreneurial behaviour attributes by establishing concurrent validity or predictive validity; whereas concurrent validity is determined when the business owners measures of entrepreneurial behaviour scale discriminate individuals who are high performers and those who are not. Predictive validity, similarly show that firms owned by entrepreneurs with highly scores on entrepreneurial behaviour perform much better than identical firms but owned by less enterprising individuals (Sekaran & Bougie, 2010). The study instrument of this thesis was developed from ones formulated earlier and found to possess the power to discriminate individual entrepreneurs who were known to be different (Miller & Friesien, 1982; Delmar, 1996).

In assessing pragmatic validity, the study compared the data from the instrument with those in the dependent variable – performance using multiple correlation analysis. Content validity however, focuses the extent to which the measurement question in the questionnaire provides adequate coverage of the investigative questions. According to Saunders et al. (2009:373) judgement of what is 'adequate' coverage can be made in a number of ways.

With the help of the literature, the research problem and study objective which were carefully defined, prior discussions were done with the supervisors of the thesis and finally a panel individuals, consisting of some graduate students and entrepreneurial practitioners were used to assess whether each measurement question in the questionnaire was 'essential' 'useful but not essential' or not necessary'. This was the face validity approach where 'experts' validate that the instrument measures what its name suggests it measures (Sekaran & Bougie, 2010).

Content validity was also achieved by pre-testing questionnaires among selected enterprises in Garissa County in the month of May 2014. In the final questionnaire they feedback was incorporated. Besides content validity, study instruments were expected to possess what has been described as construct validity. Construct validity refers to the extent to which the study measurement questions actually measure the presence of those constructs they were intended them to measure. Construct validity is mainly concerned with qualitative measures on perceptual, attitudinal and personality factors and according to Saunders et al (2009:373) Can be thought of as answering the questions: How well can the researcher generalize from the measurement questions to the construct?

In this thesis the constructs were about measures of entrepreneurial behaviour, social and economic institutions and performance measures. Churchill (1995) argues that construct validity lies at the heart of scientific progress as scientists need constructs with which to communicate, and so do everybody else. Constructs are thus operationalized in terms of a set of observable actions or behaviours. The challenge is whereas measurements of constructs are critical to knowledge creation; Construct validity is the most difficult type of validity to establish (Churchill, 1995: 536).

Through the literature review and the theoretical conceptual framework, researchers make effort to demonstrate the relationships among the study constructs and this is often referred to as the nomological net. Scholars engage in a process of determining if the study constructs behave as expected with respect to other dimensions to which they are theoretically related and this process is referred to as establishing their nomological validity (Churchill 1995:539).

In other words, the construct validity of the measures of the study variables is assessed by whether the measure accepts or fails to accept the hypotheses. Measurement of the constructs by several different constructs aims at determining convergent validity and also discriminate validity is done to establish that a measure does not correlate too highly with measures from it is supposed to differ. Additional ways which this study used to establish pragmatic, content and construct validities were through correlational analysis and factor analysis. Factor analysis, which is defined as a multivariate technique that confirms the dimension of the study variable that have been operationally defined was used in this study to determine if the scores for actual element converged to the attributes of the dimensions of each of the four constructs in the conceptual framework of the thesis.

Confirmatory factor analysis was carried out to check the construct validity of the study variables particularly that had been theorized to be multifaceted. In this approach Principal Component Analysis (PCA) was used as the technique of extraction while rotation method was varimax with Kaiser Normalization. The PCA rotation showed convergence of six elements for entrepreneurial behaviour. A total of nine factors resulted from the rotation. The Eigen values of three factors were greater than one, hence acceptable to represent the entrepreneurial behavior.

The analysis therefore confirmed that the entire question submitted in entrepreneurial behaviour converged in these three factors – thus the suitability of the application of convergent validity as a test of overall validity of construct. In the cases of both the moderating variables of social and economic institutions, an identical process was used. In these cases, the analysis converged in three iterations for the social

institutions and for economic institutions respectively. The analysis of the data for social institutions converged in three iterations and a total of eight components showed up of which only three possessed Eigen values greater than one. The three components were confirmed to be valid representation of social institutions. In the case of economic institutions the rotations converged in four iterations. The output of this rotation was a total of twelve factors of which the Eigen values; only four factors were greater than one, making them valid representation of the moderating variables. The results of these pragmatic, content and construct analysis of validities of the study variables strongly suggest that the responses and elements of these variables represented the theoretical constructs of the study which were presented in the introduction of the study, chapter one and in the literature review chapter three.

These tests thus confirm both the content and construct validity of the variables that were formulated, as multidimensional theoretical conceptual framework of the thesis consisting of series of related dimensions and within each construct operationalized elements, Table 3.1. In this thesis, to ensure validity, expertise of the supervisors was sought. They were asked to check whether the items in the instrument were viable to collect the intended data. Additionally, the researcher conducted the study in person in order to ensure systematic validity. Consequently, self- administered questionnaires were also re-adjusted to meet specific time frame, improve on the quality of the questions and eliminate ambiguity.

3.7 Test of Statistical Assumptions

The study tested the various statistical assumptions to ensure that the study regression model meets all the assumptions. This included normality testing, multicollinearity

testing linearity testing and homoscedasticity/ heteroscedasticity testing.

3.7.1 Test of Normality

This study adopted test of normality using descriptive statistics. This method is more reliable test for determining skewness and kurtosis values of normality as shown in Table 3.2.

Table 3.2: Test of Normality

Study variables	Kolmogorov-Smirnov[a]			Shapiro- Wilk		
	Statistic	df	sig	Statistic	df	sig
Entrepreneurial behaviour	.108	8	.015	.920	6	.000
Economic institutions	.088	12	.0267	.970	4	.005
Social institutions	.145	4	.000	.950	3	.001
MSEs Performance	.115	3	.005	.930	2	.000

Source: Research Data (2015)

Table 3.2 shows that all the four study variables had properties of normality. This implies that the variables were normally distributed and had no problem of lack of normality. Sekarani and Bougie (2010) argue that even in cases where there is a slight deviation from normality, in larger samples (n>30) the results of parametric tests may not be affected.

3.7.2 Test for Multicolinearity

Multicolinearity is defined as the undesirable situation where the correlations among the independent variables are strong. When this happens, standard errors and beta coefficients tend to have large values leading to their instability Saunders, et al. (2009). Multicolinearity increases the standard errors of the coefficients and thus makes some variables statistically not significant while they should otherwise be

significant Saunders, et al. (2009).   Multicolinearity is detected from reading the Variance Inflation Factor (VIF) and tolerance in regression analysis. VIF measures how much variance the regression coefficient is inflated by Multicolinearity, thus misleading inflates standard errors. When there is no problem with Multicollinearity tolerance, value should not be less than 0.10 while VIF value should be more than.

Table 3.3: Test for Multicolinearity

Model Coefficient		Unstandardized coefficients		Standardized Coefficients	T	Sig.	Collinearity	
		B	Std Error	Beta			Tolerance	VIF
	(Constant)	1.376	.215		6.389	.000	.390	2.00
Entrepreneurial behaviour		-.034	.124	-0.31	-.279	.781	.458	2.12
Economic institutions		-.145	.125	-0.113	-1.16	.247	.440	2.140
Social institutions		.104	.107	.098	.967	.335	.440	3.120
Dependent Composite Performance		.274	.093	.272	2.936	.004	.405	3.20

Source: Field Data (2015)

Table 3.3 Tolerance is the amount of variance in independent variables that is not explained by the other independent variables. The minimum cut-off point for tolerance is 0.10. Multicolinearity was monitored throughout in this study and as shown in Table 3.3 all the VIF values were below 10.0 while all Tolerance values were above 0.1 as indicated in Table 3.3 Considering the tolerance rules and the VIF values for all the independent.

3.7.3 Linearity Testing

Linearity concerns with whether the expected value of dependent variable is a straight line function of each independent variable holding the others fixed. If the relationship is non linear between dependent and independent variables it may result to a misleading prediction. Linearity is an important association between dependent and

independent variables and this is tested using the Linearity Testing Model Figure 3.1

Figure 3.1 Linearity Testing Model
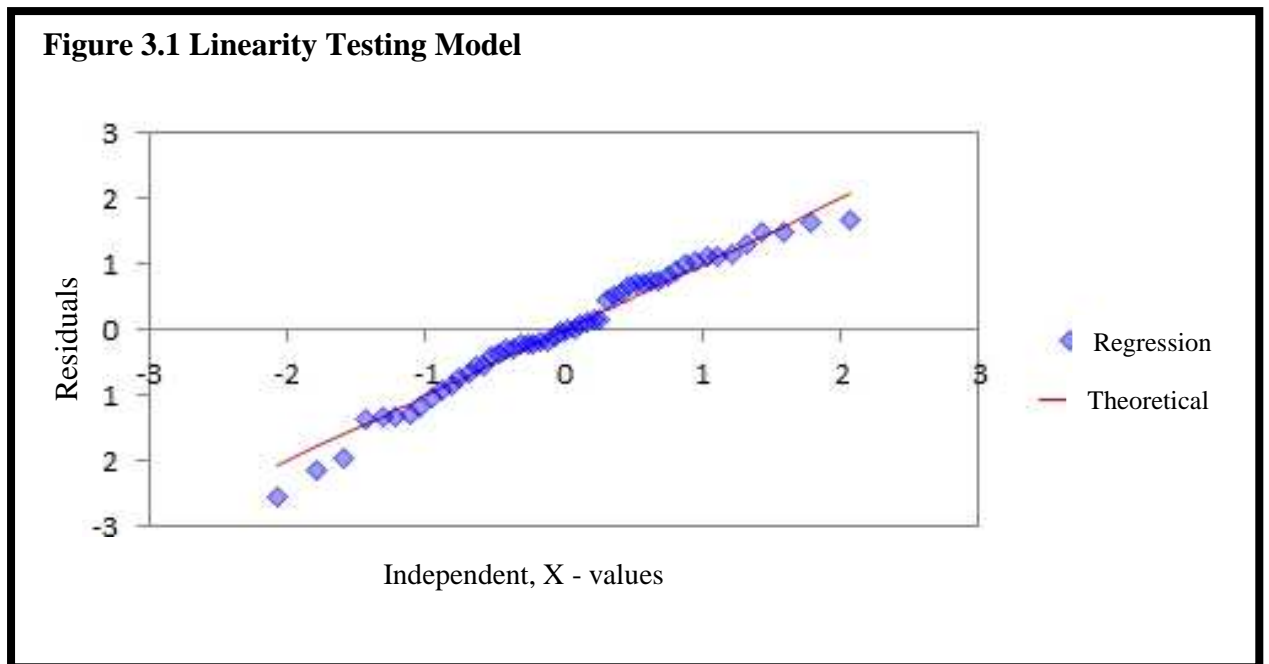
Source: Researcher (2015)

Figure 3.3 Confirms that the relationship between dependent and independent variables were indeed linear, both observed value and expected normal value or residual value against the independent variable.

3.7.4 Heteroscedasticity Test

Another regression assumption is the homogeneity of variance which was examined through a scatter plot of the residuals against the predicted values. The aim was to evaluate whether the homogeneity of variance assumption holds. The test of this assumption was as presented in Figure 3.2.

Figure 3.2 Heteroscedasticity Test Scatter Plot

Dependent variables: MSEs Performance
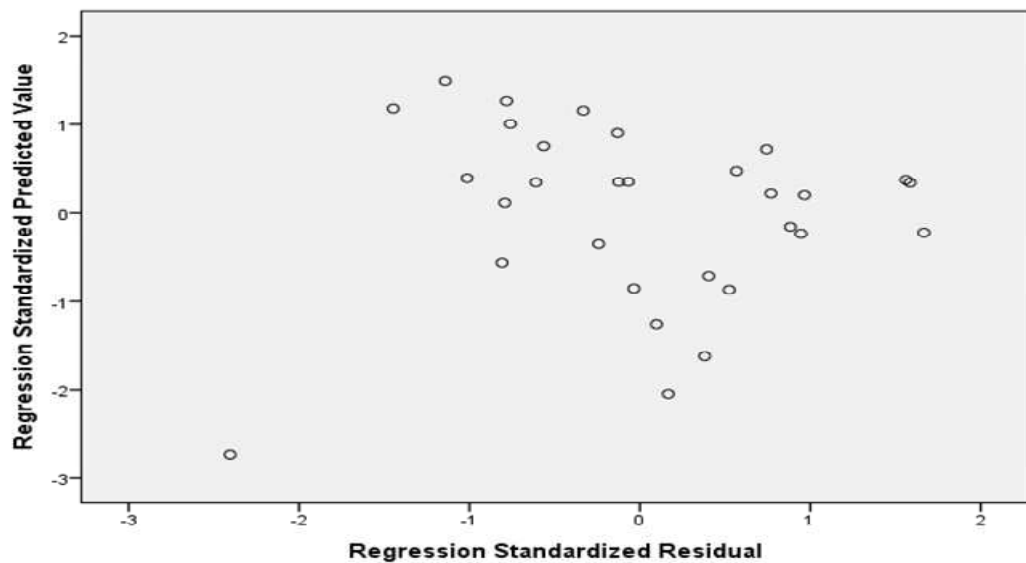
Source: Field Data (2015)

Figure 3.4 shows the generated scatter plot with standardized predicted values on the horizontal axis and standardized residuals on the vertical axis for the entrepreneurial behaviour, social and economic institutions and MSEs performance variables. It is expected that if homogeneity of variance assumption is met, there should be no pattern to the residuals plotted against the predicted values. In the scatter plot, it was observed that there was no pattern in the scatter plot, which suggests absence of problems of heteroscedasticity. Therefore, the model satisfies the homoscedasticity assumption.

Figure 3.2 shows that homoscedasticity test was done for MSEs performance using p-p plot of Z^{*} pred and Z^{*} presid options in SPSS version 20. The plot shows scores for observed cumulative probability of MSEs performance against its expected. Cumulative probability plot demonstrates that the graph doesn't appear like a

staircase. Rather the plot is a straight line graph with a constant gradient demonstrating that in the multiple linear regression analysis, there is no tendency in the error term. The test or for homoscedasticity thus confirms that performance data collected from the MSEs in this study satisfied the condition for homoscedasticity.

3.8 Operationalization of the study variables

The operationalization of the concepts in this study variables were essential part of the research. According to Sekaran and Bougie (2010:127) making abstract concepts measurable, in a tangible manner is what is known as operationalizing the concepts. Concepts are the building blocks of theory. They represent the anchor or points about which business research is conducted. The challenge is if a concept is to be employed in quantitative research, it will have to be measured, to enable data analysis, testable, findings to be made. Measurements provides the basis for 141 recise estimates of the degree of relationship between variables or concepts, allows researchers to differentiate between people in terms of the characteristic in question and finally measurement gives a consistent yardstick for making such distinction (Bryman & Bell, 2007). This study had four broad variables in the form, of quantitative abstract constructs: entrepreneurial behaviour, social and economic institutions and firm performance.

To operationalize the four study variables of this study involves defining and translating the variables from their conceptualized abstract form into concrete, measurable forms. In order to provide a measure of a concept often referred to as an operational definition (Bryman & Bell, 2007:159), it is necessary to have indicators that stands for the concepts. Whereas a measure refers to things that can be relatively

unambiguously counted such as age, indicators relate to indirect measures of concepts and are qualitative in nature. The common approach to measure perceptional and attitudinal concepts is the 5-point Likert type scale. In this study the quantifiable elements of the four dimensions of the conceptual framework were identified and given Likert type scale values.

Entrepreneurial behaviour consists of the observable actions of individuals or teams to exploit business (Fisher, 2012). Social institutions are defined as the relationships and networks from which individuals are able to derive resources to start and grow business. Economic institutions give rise to actual organizations that shape, regulate and promote business operations in a County or region. A questionnaire instrument with a five-point Likert scale with end – points anchored by "strongly disagreed (1)" and "strongly agree (5)" was used to collect the data. Those measures used to determine values of each variable and statistical measurement of analysis of the variables have been summarized in Table 3.3

Table 3.3: Summary of Operationalization of Variables

The elements of constructs	Operationalization of constructs	Rating measures	Statistical analysis	Questionnaire items
MSE data Background information	Firm level / entrepreneurs' characteristics	Dichotomous /categorical / nominal	Descriptive	Part 1 Q1-28
ENTREPRENEURIAL BEHAVIOUR – IV HYPOTHESIS 1				
Achievement need	Moderate risk taking Individual responsibility Constantly working Thinking of business when at home Self-achievement Individual responsibility Personal initiatives Anticipating future possibilities	5-point Likert type scale	Descriptive Factor analysis Multiple regression Pearson's r ANOVA	Part 2- Q28,29, 78
Motivation	Number of working hours in business Self confidence Seeks more information Perseverance despite set backs Full of optimism	5-point Likert type scale	Descriptive Factor analysis Multiple regression Pearson's r	Part2– Q28,37, 38,45
Legitimacy seeking	Compliance with regulation. Have licence firm registered NSSF /KRA registered Business Association member Have bank Account Have own premises	5-point Likert type scale	Descriptive Factor analysis Pearson's r Multiple regression ANOVA	Part 1 & 5– Q13,14,23,66,85
Risk taking	Takes loans Buys livestock in dry season Engaging uncertain deals Supplies on credit to large firms	5-point Likert type scale	Descriptive Factor analysis Pearson's r Multiple regression	Part 2 – Q31,35,40,43
Effectuation opportunity decision making	Affordable risk Small size of start-up capital Forming groups Number of business started in a given period	5-point Likert type scale	Descriptive Factor analysis Correlations Multiple regression ANOVA	Part 1 &5 – Q17,66,69,77,78

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SOCIAL INSTITUTIONS – MODERATING VARIABLE – MV- HYPOTHESES 2				
Relational family / kinship	Family firm support Membership of family groups – strong ties Participation of spouse in business	5-point Likert type scale	Descriptive Factor analysis Correlations(r) Multiple regression ANOVA	Part 2- Q42
Social networks	Inter-firm association Membership of co-ethic networks Connection with small firms groups Number of weak ties associates	5-point Likert type scale	Descriptive Factor analysis Correlations(r) Multiple regression ANOVA	Part 2- Q45,49,52,54,68
Bricolage	Use of family labour Use of own skills /experience Raise personal capital / resources	5-point Likert type scale	Descriptive Factor analysis Pearson's (r) Multiple regression ANOVA	Part 1 &5 Q15, 86
Ethical trust yielding networks	Suppliers / livestock buyers, large firms, government departments providers of funds the firm relates with	5-point Likert type scale	Descriptive Factor analysis Pearson's (r) Multiple regression ANOVA	Part 5- Q68,69,72,73
Business association	The number of business associations, formal or informal the firm is a member	5-point Likert type scale	Descriptive Factor analysis Pearson's (r) Multiple regression ANOVA	Part5- Q66
ECONOMIC INSTITUTIONS – MODERATING VARIABLE – MV HYPOTHESIS 3				
Form of state policies and actions	Legal, economic, regulatory and technological actors	5-point Likert type scale	Descriptive Factor analysis Parson's (r) Multiple regression ANOVA	Part 2- Q66,67,85
Market structure	Industry structure Number of buyers, firms, sellers, state of competition and rivalry credit supplier	5-point Likert type scale	Descriptive Factor analysis Pearson's (r) Multiple regression ANOVA	Part 2- Q79,80,81,82,83 ,84
Linkage with large firms	Number of large firms associated with MSEs e.g. KMC	5-point Likert type scale	Descriptive Factor analysis Pearson's (r) Multiple regression ANOVA	Part 1- Q26
Availability of SACCO /Financial services	Saccos, Banks access state/county support e.g. AFC	5-point Likert type scale	Descriptive Factor analysis Pearson's (r) Multiple regression ANOVA	Part 5- Q69,70,72,73,75
Cost of transport	State of transport by roads, a trucks and costs.	5-point Likert type scale	Descriptive Factor analysis Pearson's (r) Multiple regression ANOVA	Part 2- Q50
Training opportunities	Training and mentoring support Avail ability of vocational public	5-point Likert type scale	Descriptive Factor analysis Pearson's (r)	Part 5- Q77,78

	support.		Multiple regression ANOVA	
JOINT EFFECTS OF ENTREPRENEURIAL BEHAVIOUR, SOCIAL AND ECONOMIC INSTITUTIONS – IV – HYPOTHESIS 4				
Various elements of the three study variables	Combined constructs of the three variables	5-point Likert type scale	Factor analysis ANOVA Multiple regression F test	Part 5- Q73-107
FIRM PERFORMANCE – DEPENDENT VARIABLE – DV- HYPOTHESIS 1-4				
Firm growth	In a given period percent increase of stock /net worth	Percentage change and firm growth size	Multiple regression model	Part 6- Q78,101
Profitability	Estimate of earned profits profitability per year	Net profit per year – likert scale	Multiple regression model	Part 6- Q102
Sales volume	Size of annual sales in Kenya shillings monthly sales of	Direct sales volume per year	Multiple regression model	Part 1-6 Q18,61,102
Participation in the export market	Level of participation in the export sector	Likert scale	Multiple regression model	Part 1- Q20
Age of firm	Direct-durability of the firm	Number of years in business	Multiple regression model	Part 1- Q6
Owners level of satisfaction with performance	Degree of satisfaction with the firm performance	Likert scale	Multiple regression model	Part 6- Q103
Source: Researcher (2015)				

The variables of the study were operationalized in a multidimensional approach as shown in Table 3.3. Other studies have used similar multidimensional approaches to operationalize their variables (Lumpkin & Dess, 1996; Miller & Friensen, 1982). In this thesis entrepreneurial behaviour was operationalised using five dimensional construct consisting of achievement need, motivation, legitimacy seeking, risk taking and effectuation opportunity seeking behaviour. The elements of the five dimensions of entrepreneurial behaviour were determined from 28 sets of questions as indicated in part 2, H1 of the questionnaire, appendix I. Similar approaches were used in some past studies (Fatoki, 2012; Okeyo, 2013). Similarly, social and economic institutional variables as external environmental factors impacting on firm performance were operationalized using sets of seven questions for social institutions and thirty five (35) for economic institutions. More questions were used to determine economic

institutions than social because of the ubiquitous nature of the influence of economic institutions in business. Businesses are primarily economic entities and that make them more vulnerable to the impacts of economic players in the market place. During the data analysis in all the cases of the entrepreneurial behaviour with 28 questions and the economic institutions with 35 and social institutional variables with seven (7) questions respectively, factor analysis was used to reduce the data.

Firm performance which was taken as the dependent variable in this study was measured from the perspective of firm growth, profitability, sales volume, age of the firm and the owners' satisfaction. The quantitative data of the firms, except the seven firms of the case studies, were mostly provided by the firms' owners' managers and were generally subjective based on their sincere personal estimations.

These approaches to firm performance were in consistent with the two financial and non-financial approaches of performance (Edmunds, 1984). In this thesis, firm performances were greatly determined from subjective values instead of actual figures. The fact that the firms studied were mostly micro, rural based and in the livestock sector also made if difficult getting reliable, yet actual figures on sales, costs of operations and thus net profits.

The study used five point Likert type scales. The Likert scale developed by Rensis Likert is the most popular "used variable of the summated rating scale. Summated rated scales consist of statements that express either a favourable or an unfavorable attitude towards the object interest" (Cooper & Schindler, 2008). Likert type scales generally present simple, yet valid and reliable approach to collecting primary data

(Dess & Robinson, 1984). The Likert type scales have the benefits of evaluating the attitudes of respondents along similar underlying negative-to-positive continuum. Other advantages of Likert scale which accounts for its popularity include that it is easy and quick to construct, read, understand and complete. Likert scales are considered more reliable and provide a greater volume of data than many other scales. Likert scale is an interval scale. A number of past studies have used Likert type scales in their data collection instruments (Okeyo, 2013; Covin & Slevin, 1991). Although, Likert type scale has been used in data collection methods, there are some limitations with this approach: There are biases towards central tendencies, problems of summations of scales, acquiescence and social desirability. In this thesis, these weaknesses of Likert type scales were acknowledged and measures taken to ensure where possible their effects were not significant in the results of the study.

This study applied a method of asking a number of questions for the purpose of getting suitable, relevant and appropriate data for each dimensional variable. This method had the effect of improving the reliability by depending on a mixture instead of just few questions for every dimensional variable in the study's conceptual framework. A number of earlier studies have used this approach (Okeyo, 2013; Letting, 2011). The aim was to evaluate the extent of variations of the implicit issues concerning the study variables of the business firms.

This study further used qualitative perceptual measures of performance to determine the dependent variable which was firm performance. In order to achieve this goal, both financial and non financial quantitative and qualitative data were collected. To this end, data on firm performance, age of firm, and entrepreneur's satisfaction with

their businesses, net worth, start-up capital, growth estimates, and present value of livestock, current bank balances and number of employees were collected. This triangulation, mixed method approach of data collected was used because, as is well known in the literature, micro and small firms hardly keep historical, valid and reliable records in a consistent manner. They keep records but it is frequently incomplete, partial and only current. In order to overcome these limitations a number of parallel mixed methods were used to ensure the right data were collected for analysis in order to achieve the objectives of the study.

It has been argued that since almost all data collection methods have some bias associated with them, collecting data from multiple sources lends rigor to research. For example, where the responses collected through interviews, questionnaires, secondary data and observation are strongly correlated with one another, then it is expected that researchers will have more confidence about the goodness of the data collected data (Sekaran & Bougie, 2010: 217).

According to Sekaran and Bougie (2010) there are two common methods used for evaluating the existence of moderating variables in the relationship between independent and dependent variables. These are subgroups and moderated groups' analysis. The subgroups method uses the process of splitting the study sample into two subgroups. These two subgroups are then subjected to regression analysis to examine the relationship between the independent and the dependent variable in each group. Sekaran and Bougie (2010) suggest that coefficient of determination (R^2) from the regression analysis of each subgroup may be used. Sekaran and Bougie (2010: 354) also made differentiation of pure and quasi moderation and suggest that "such

interactional are included as the products of two variables in a regression model"
(Table 4.17). When a moderating variable affects the relationship between the
independent and dependent variables, yet does not influence the dependent variable it
becomes a pure moderation. However, if the moderator influences the relationship but
also has direct effect on the dependent variable, it becomes quasi moderation. In this
respect, this study applied the Moderator Multiple Regression (MMR) method to
examine the existence and direction of the two predictor variables; social and
economic institutions.

The advantages of MMR arose from its robustness and its capacity to sustain the good
properties of a study sample while at same time controlling the influence of the
moderating variables. Regarding both cases of social and economic institutions, their
moderating roles on the relationships between entrepreneurial behaviour and business
firm performance were determined by obtaining the products of the independent and
moderating variables in the regression model (Table 4.3).

 Then using Statistical Package for Social Science (SPSS) version 19, these models
were subjected to regression statistical analysis in order to evaluate if social and
economic institutions were in fact moderating the relationship between
entrepreneurial behaviour and the performance of MSEs in the livestock sector in
North Eastern region of Kenya.

3.10 Data Analysis

Once data for this study were collected from the subject population, cleaned and tested for reliability and validity, then the analysis of the data logically followed in order to enable the testing of the research hypothesis and respond appropriately to the research objectives and questions by establishing meaning in the data collected. After data were collected and all the completed questionnaires were turned in, preliminary analytical steps of editing, coding and tabulation were done. These helped to ensure that the data were accurate, reliable, compete and in fact suitable for further detailed analysis (Sekaran & Bougie, 2010).

Of the 196 returned questionnaires 5 were partially complete and were therefore discarded. For the 191 usable returns, editing was undertaken to ensure high quality of data. Missing values were found only in the question relating to social institutions, but the researcher overcame this difficulty by redefining social institutions through choices and grouping the non-responses of social institutions as did not state. Where blank responses were not material that is not involving substantial number of questions, say 25 percent, the missing items were assigned the mean values of the responses of all those who had responded to that particular item, according to the recommendations of Saunders, et al. (2009).

No other missing values were found during the data editing. After editing and coding the data in order to get a 'feel' for the data, visual tabulations were made and central tendency and dispersion of the variable checked before the data was subjected to a more advanced analysis.

3.10.1 Descriptive statistics

The term 'statistics' conveys different meanings to people (Gupta, 2008) while some people may take statistics to mean the usual tables, charts and figures commonly found in the analysis of business performance literature, other view statistics as complex branch of mathematics. Whatever the various views on statistics, it is generally agreed that statistics is the science of turning raw data into meaningful and therefore useful information (Biehler, 2008). Statistical methods thus deal with collection, presentation, analysis and interpretation of both quantitative and qualitative information for given objectives. To this end, descriptive statistics are the popular techniques applied for summarizing and therefore presenting the important information about the raw data collected for a study.

Descriptive statistics is also the science of describing the important characteristics of the set of data collected for a particular purpose (Bowerman, et al, 2011). One of the basic purposes of statistics is to simplify into meaningful information and to describe a body of data effectively (Mansfield, 1991). The two common techniques of simplifying into useful information and describing effectively the arrays of data that this study used include tabular and graphical methods and numerical methods. Before examining in brief the two approaches to describing effectively collection of data it is felt appropriate to acknowledge the need to guard against descriptive statistical chicanery and fallacies as much as possible.

Some of the common descriptive statistical errors which this study has been alert to were inappropriate comparisons, obviously biased samples, or adverse selections and improper skewed choice of means. This study made reasonably certain that each of

these statistical discrepancies were either nonexistent or minor by ensuring that all the data were of comparable firms, the sample size was sufficiently large and the choice of means was not highly skewed to the right. This study used tabular and graphical presentation for frequency distribution tables for age of firms, characteristics of entrepreneurs, such as their ages and educational levels, firm attributes such as number of employees, types of MSEs and their business distributions. Graphical descriptive statistical presentation used also include cumulative frequency distribution and cross tabulations classifying data into dimensions such as ages of firms and their net worth. Besides these tabular methods, this study used numerical statistical methods. Among the descriptive numerical methods applied by this study for data analysis were central tendencies, measures of variations, covariance and correlations and computing and interpreting the mean, skewness, median, and the standard deviations of the data.

These numerical tabular and graphical descriptive statistical analysis were applied using SPSS version 19. In-depth descriptive data analysis is often needed to examine various relationships of the hypothesized conceptual framework of the study and also determine the attributes of each study variable separately. Univariate and bivariate analysis and population statistical technique were used to examine the behaviour and characteristics of a single or two related research variables. This study used this approach to evaluate and describe distribution central tendency and dispersion of the data.

Data distributions describe the nature of data in terms of the numerical methods. Finally measures of variations and standard deviations help with the measures of dispersion of the study. The universal key to interpreting standard deviation is this: the higher the standard deviations, the greater the variations; the lower the standard deviation, the lower the variation (Beiehler, 2008). One of the main purposes of this study is to test the research hypothesis in order to answer the research questions and discharge the objectives of the study.

In order to satisfy that purpose, use of descriptive statistics for data analysis is not adequate. Hypothesis testing requires a more advanced application of statistical methods known as inferential methods. This study therefore also used inferential analytical method to test the study hypothesis and make the appropriate estimation of the population parameters.

3.10.2 Inferential Statistics

Inferential Statistics concerns with the statistical analysis regarding the process of selecting and using a sample statistic to draw inference about a population parameters used on a sample drawn from the population (Gupta, 2008). Statistical inference consists of the two issues of hypothesis testing and estimation of the unknown parameters of the population from which the study sample was drawn. The logic informing statistical inference was to study population using samples which are by definition subsets of the population framework of the research. This study used statistical inferences to analyze the data of the sample obtained from the population of the micro and small enterprises in the livestock sector operating in North Eastern Kenya, as the area of the study.

Inferential statistics were used to examine the relationships, differences and trends of the study variables. A number of test statics are used for hypothesis testing like those of this study. The two main groups of statistical tests that were applied for statistical significance tests were parametric and non-parametric. When the data of the study was considered not normally distributed, non-parametric statistics was used and this means most often they were used with categorical data. However, parametric statistics analysis were used with numerical data. The universe of inferential statistics that were used in the majority of past studies related to this thesis were rather wide. However, the common inferential statistics used in majority of related earlier studies were factor analysis, chi-square, univariate correlation, multiple linear regression analysis, stepwise multiple linear regression with R^2 tests and test for statistical significance and the p-value rule of hypothesis testing (Orero, 2008, Maalu 2010; Okeyo, 2013).

The inferential statistics methods were important techniques of data analysis as they demonstrated the magnitude and directions of various parameters of the study variables. The inferential statistics were analyzed first using simple linear correlation and regression methods. Further, univariate, multiple linear regressions, stepwise multiple linear regressions were used for more data analysis in chapter five. SPSS version 19 was used for statistical analysis to establish coefficients for all variables in this study. At the preliminary level, factor analysis was used to extract the variables with higher factor loadings for ease analysis. This was then followed by correlation analysis to determine whether indeed relationship existed, magnitude and in what direction between the elements in each of the independent and the dependent variables.

The purpose of correlation analysis was to establish significant correlations among variables and hence shows which particular dimensions or their elements of a predictor variable strongly associated with the dependent variable. In this thesis, correlation analysis was used to establish associations of elements of entrepreneurial behaviour, social and economic institutions and business firms' performance. The outputs from these analyses were then used as proxies for subsequent hypotheses test using multiple linear regression analysis and analysis of variance (ANOVA).

For a more robust and sophisticated data analysis, at the level of this study the use of multivariate analysis was highly recommended (Sekaran & Bougie, 2012). The analysis of the results and details of the discussion are presented in chapters five, six and eight. The main focus of the data analysis was to establish the relationships among independent, moderating, and dependent variables as formulated in the conceptual theoretical framework of the study. There are number of types of regression analysis such as single, multiple, logistic, generalized linear and generalized mixed models. Regression technique was used to determine the relationships between the study variables. Correlation regression analysis concerns with the statistical technique used to establishing the relationships between variables in pursuance with research objectives, section 1.3 which have set four specific objectives for this study.

The first objectives, for instance, was establishing the relationship between the independent variable and the dependent variable – entrepreneurial behaviour and firm performance. This is a bivariate relationship calling for the use of simple linear correlation regression analysis model, relating, the dependent variable (Y) firm

performance, to the independent variable, entrepreneurial behaviour (X). The second objective was determining the moderating effect of social institutions on the relationship between entrepreneurial behaviour, the independent variables, and performance of the MSEs and this was attracting the use of multiple interactive regression models. Similarly the third objective was to determine the moderating effects of economic institutions on the relationship between entrepreneur behaviour, the independent variable and the performance of the MSEs, the dependent variable Y. This too necessitated the use of multiple interactive regression analysis, model.

The fourth and the final objective was to establish the combined effects of entrepreneurial behaviour, social and economic institutions on firm performance. The analysis of the data for the determination of this hypothesis attracted not only the use of multiple regression analysis but the multivariate sets of analysis. The range of multivariate statistical inferential analysis includes factor analysis, discriminate analysis, non-parametric analysis such as chi-square and structural equation model. In this study factor analysis was employed and justified on the grounds that each of the four study variables have a number of dimensions which in turn have a number of elements. The entrepreneurial behaviour which is the independent variable has five dimensions with a total of 26 elements. Social institutions as one moderating dimension has 11 elements, while economic institutions as the second moderating variable has 21, and performance measures has 4 (Appendix I, Research questionnaires part 1 – 5).

The aim of factor analysis was to decompose the information in each of the variables into meaningful latent dimensions of the problem by applying the principal – component analysis. The right-angled rotation of varimax type (Right-angled Rotation

of Maximum Fluctuation) was used to determine the highest – loading variables for each selected factor from all the elements of entrepreneurial behaviour, social and economic institutions and firm performance. Factor analysis, therefore helped with reducing many questions related to each of the study variables into few ones those with the highest loading factors for parsimony. The results of the factors extracted and their loadings with respect to each of the original 58 variables are shown in Appendix II(A) and IIB (Second order extraction). The factors extracted were then used for the standardized regression coefficients, multiple regression and ANOVA. All the regressions were tested for normality, linearity, multicollinearity and heteroscedasticity.

3.10.3 Case Studies Data Analysis

The case study data are largely qualitative. Qualitative data such as the views of the firm owner manager on certain institutional issues, entrepreneurial behaviour and firm performance was not possible to be analysed using wholly inferential statistics. They had to be complemented with case study qualitative data. Information obtained from the seven case studies was analysed by way of focus group discussions and thematic conceptual content analysis. The key themes were contextual issues, micro, small enterprise growth, competitive strategies, owner's entrepreneurial behaviours and social and economic institutional and competitive environmental influences on firm performance. Following immediately after the interviews, and focus group discussions, the researcher and assistants compiled detailed transcript regarding the concerned enterprises into profiles of cases.

These covered thematically the firms sector of business, description and profile of individual firm owners, performance and the financial state of the firm. The analyses from the case studies were developed into chapter seven of this thesis. The findings obtained from the cases were compared and linked with results from the survey data to test the objectives of the study hypothesis and to see whether the findings were generally in agreement with entrepreneurial theories and the literature reviewed. A number of past studies used similar approaches (Maalu, 2010; Orero, 2008).

3.10.4 Hypotheses of the study

In order to test the four hypothesis of this study at 3.10 and achieve the objectives set out, the data analysis methodology discussed was used. Having established the important study variables and their relationships, each hypothesis was again individually analyzed. Earlier, before the hypothesis testing, the general conceptual theoretical framework of the study together with the corresponding statistical tests as indicated in Table 4.3 and their interpretation were also formulated. To this end, each of the four hypotheses was modeled as presented in equations 1- 4. The analytical method which is also summarized in Table 4.3 show analytical perspectives. The table also presents various relevant statistics used to analyse the data and reach acceptable, valid and reliable findings and conclusions within the broader framework of the literature reviewed.

Hypothesis H_1 was models as:

$$Y = MSEP = \alpha + \beta_1 \, EB + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots..1$$

Where $Y = MSEP = MSE$ performance, dependent variable, α is a constant and β_1 is a coefficient, EB = Entrepreneurial behaviour, an independent variable, and ε is error term

Hypothesis H$_2$ was modeled as:

Y=MSEP = α + β$_1$ EB+SI β$_2$+E β$_3$B.SI+ε…………………………………………………2

Where Y = MSEP = MSE performance, dependent variable, α is a constant and β$_1$, β$_2$,

β$_1$are coefficients, S1 = social institutions and ε is error term.

Hypothesis H$_3$ was modeled as:

Y = MSEP = α+ β$_1$EB+EI β$_2$ + β$_3$EB. EI+ε……………………………………………3

Where Y = MSEP = MSE performance, dependent variable; α is a constant; and β$_1$, β$_2$,

β$_3$ are coefficients, EI = economic institutions and ε is error term.

Hypothesis H$_4$ was modeled as:

Y = MSEP = α + β$_1$ EB + β$_2$SI+ β$_3$E1+ε…………………………………………………4

Where Y = MSEP = MSE performance, dependent variable, α is the constant and β$_1$,

β$_2$, β$_3$ are coefficients, SI= social institutions, EI= Economic institutions and ε is error

term.

Table 3.4: Summary of Data Analysis

Objective	Hypotheses / Relational	Data: Elements	Statistical analysis	Interpretation
1. Establish entrepreneurial behaviour that influence firm business performance	H$_1$: Entrepreneurial behaviour has significant influence on firm business performance.	Legitimacy/ motivation, collaborative, tolerance of failure, asset acquired, education, proactiveness	Descriptive Factor analysis Multiple regression Correlation	Eigen, values/ factor loading KMO and Bartlets Test Correlation coefficients Goodness of fit R^2
2. Determine the social institutional factors moderating the relationship between entrepreneurial behaviour and firm performance.	H$_2$: Social institutions moderate the relationship between entrepreneurial behaviour and firm performance.	Personal , family environment, skills , marital status, SACCO, networks, business association, networks/mot ivation, strong bonding ties	Regression / Correlation analysis P=a+$_1$ β$_1$X$_1$+ β$_2$X$_2$+ β$_3$ (X$_1$. X$_2$)+ ε P= firm performance a=constant β$_1$=coefficient for social institutions variable X$_1$= E. Behaviour X$_2$=Economic variable β$_1$ (X$_1$ xX$_2$) moderation effects	R squared, F test
3. Determine the economic institutional factors moderating the relationship between entrepreneurial behaviour and firm	H$_3$: The activities of economic institutions moderate the relationship between entrepreneurial behaviour and firm performance.	State policies, market structure, bank support, export incentives, credit	P=a+X$_1$ β$_1$+ X$_2$ β$_1$+ β$_1$ (X$_1$. X$_2$)+ ε β$_1$ (X$_1$ xX$_2$) moderation effects	R squared, F test

		supplies		
4. Establish the combined effects entrepreneurial behaviour, social and economic institution have on firm performance.	H_4: Jointly entrepreneurial behaviour, social and economic institutions have significant influence on firm performance.	Entrepreneurial, social & economic	Correlation analyses Factor analysis	Explained variance R^2, Adj. R squared, F test

Source: Researcher (2015)

Table 3.4 shows that this study has four hypotheses. Each hypothesis has a corresponding specific study objective. The first hypothesis, H_1 aimed at establishing objective one and specifically sought to determine whether entrepreneurial behaviour had a positive effect on firm performance. The purpose of H_2, the second hypothesis was then to achieve objective two whose aim was to find out if social institutions moderated the relationship between entrepreneurial behaviour and firm performance. The aim of the third hypothesis was to achieve objective three; H_3which was to determine whether economic institutions moderated the relationship between entrepreneurial behaviour and firm performance. Finally, the fourth hypothesis, H_4 was to achieve objective four which was to establish whether the combined effects of entrepreneurial, social and economic institutions was greater than the individual effects of each of these variables.

Also presented in the table are the descriptive and statistical inferential that were used to establish existence, magnitude and direction of the hypothesized relationships or influences. These are presented in terms of multivariate analysis, as well as in terms of regressions coefficient (R), Beta coefficient (β_i), coefficient of determination (R^2) and F statistics for significance and P values. Statistical Package of Social Sciences (SPSS) version 19 was used to test the various relationships and multivariate analysis and the findings and results presented in chapter five and six.

3.10.5 Linking survey data analysis with case studies for results

The main purpose of case study data is to obtain qualitative information to complement and triangulate survey data with objectives of making the findings and results of the study more scientific, reliable, rigorous and generalizable. Linking therefore survey data analysis with case studies for results is important for the quality and scope for the thesis.

The four study variables were entrepreneurial behaviour, social and economic institutions and firm performance. Firm performance is the ultimate dependent variable in most of the studies since the policy aim of any study is to positively influence and predict future firm performance. In the case studies, participants reported why range of critical entrepreneurial behaviours that made their firms perform competitively better. Some of these behaviours were closely related to the outcome of social and economic institutions, incentives and policies. Other behaviours were lack of institutional support. "For weeks in a row, we tried to make an appointment with livestock officials at the county level without success. They have no time for small business". The number of times a particular theme or event occurs or how many respondents bring up certain themes help with quantification of qualitative data and provide a rough idea about the relative importance of the category of themes. Once the cases were analysed, patterns emerged that collected data linked with the results of survey data. The results of case studies converge with findings of the survey data all in all respects in a manner that is consistent with literature review and theories of entrepreneurship as 6.3 of Chapter six indicate.

3.11 Chapter Three Summary

This chapter of the study has started with research philosophy and argued for the positivist approach as the primary research philosophy guiding the study. Deductive reasoning, hypothesis testing and theoretical conceptual frameworks are all positivist assumptions. Additionally, the chapter has taken survey cross-sectional research design approach for the study population which has been presented as comprising 305 micro and small enterprises in the livestock sector in the three counties of Garissa, Wajir and Mandera of North Eastern Kenya. The study was carried out in the months of August 2014 to November 2014 with follow-up interviews in the month of December 2014.

The study was census and got 191 respondents, 64 percent response rate. The census design was selected over sampling method because census design was more advantageous given the fact that many of the MSEs were exiting the market, switching business, and new ones entering every three months since on greater part livestock businesses were seasonal and capital intensive.

This chapter presented data collection procedures adopted in the entire process, the operationalization of the study variables through Likert scale forms instrument, validity and reliability of the questionnaire instruments and data analysis used with its two complementary sides of descriptive and statistical inferential. Table 4.3 provides a summary of objective, relational hypothesis, data elements, statistical analyses which were used for the data analysis in order to enable findings and results of the study be made. The next chapter presents the data analysis and the findings of the study.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the preliminary analysis of the data together with discussion of descriptive and inferential data. The descriptive data analysis shows the characteristics of the population of the firms in the study in terms of the profiles of the individual entrepreneurs, distribution of the livestock businesses in the respective three counties of Garissa, Wajir and Mandera and categories of the ages of the population of firms in the study. The chapter also presents descriptive statistics of the four variables of the study which show the distribution, central tendency and dispersion of each variable. Additionally, the chapter presents an explanation of the nature of the statistics concerning entrepreneurial behaviour, social and economic institutions, and business firm performance.

Further this chapter presents the findings, results and discussions of this study. In particular, the chapter presents interpretation of the results of the inferential statistics in the context of the various influences entrepreneurial behaviour, social and economic institutions have on firm performance. The chapter finally examines the hypothesized relationships of all the three study variables and the individual effect of each of the variables on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya.

4.2 Descriptive Statistics

Descriptive statistical analyses were performed in this study using SPSS version 20. The analysis carried out included examinations of the distribution, central tendency and dispersion of the preliminary data. The analysis involved the application of standard statistical measures to determine skewness, mean, median, standard deviation and covariance of variation for each dimension and variable in the sample (Sekaran & Bougie, 2010). In this thesis, the descriptive statistical analysis was performed for all the measures of the four variables.

4.2.1 The Characteristics of the Micro and Small Enterprises

The focus of this study was on the performance of small and micro enterprises in the livestock sector in North Eastern Kenya; Garissa, Wajir and Mandera Counties. A total population of 305 micro and small firms in the livestock sector was contacted out of which 191 firms or 63 percent of the total micro and small firms responded. The profiles of the firms that responded to contacts were then examined in detail in terms of their location, age of the firm, startup capital, the number of employees per each firm, form of business linkages with large firms, and the livestock subsector in which each firm operated.

Further, the characteristics of the individual entrepreneurs who were the owner managers of the firms were analysed, discussed and presented in terms of their ages, formal educational level, gender, position in the business, additional occupations and whether the entrepreneurs operated in their owned premises or at rented and what kind of transport they used for their businesses; methods of trade or debt disputes settlement mechanisms, and management approaches of the firms in terms of book

keeping methods, who were their end customers, how they acquired their businesses and what they saw as changes in sales of their firms' performance were also analysed. The finding of these analyses were tabulated and presented in Tables 4.1 to 4.7.

4.2.2 Age, Legal Form and Distribution of the MSEs

The aim of these three analyses was to categorize and interpret the respondent firms in terms of their ages since the firms started operating as trading concerns, their legal forms; whether they operated as limited liability companies, partners or sole traders, and the distributions of the MSEs in terms of counties and the types of livestock in which they traded; whether camels, cattle or goats and sheep. In all the three, the method of categorization used was frequency distribution. In these frequency analyses, the ages of the firms were categorized into five groups, based on whether they were five or less years old, between six to ten years old, between eleven to fifteen years old, between sixteen to twenty years old and finally those above twenty years old. This classification approach resulted a total of five groups as presented in Table 4.1.

Table 4.1: Ages of MSEs in Categories

Years	Frequency	Percent	Accumulated frequencies
1 – 5	47	24.6	24.6
6-10	82	42.9	67.5
11-15	52	27.2	94.7
16-20	4	2.1	96.8
Above 20	6	3.1	100
Total	**191**	**100.0**	**100**

Source: Field data (2015)

Table 4.1 indicates, 67.5 percent or 129 firms in the study were between ages of one and ten. Only six firms or 3.1 percent were more than twenty years of age. However, 27.2 percent or 52 firms were between the ages of eleven and fifteen. As shown in Table 4.1, majority of the firms were young, 67.5% of them, were in between one and ten years.

The young age of the firm's 94.7% of them being less than 16 years of age, somewhat suggests high turnover of the firms in the sector, where new entries and failure rates are high, confirming the literature review on the performance and high mortality rates of micro and small businesses. The legal form of the MSEs and their distributions in terms of counties and types of livestock in which they traded were analysed. As the Table 5.2 shows, majority of the firms were sole proprietors and family owned. This was 58.1 percent of all those firms who responded to this study. The rest of the firms, 41.9 per cent were partners and none were limited liability companies. The fact that none of the companies were limited liability companies demonstrated that MSEs in the livestock sector are generally micro and small and thus lack the resources, human capital and sophistication to sustain the needs registered companies that satisfy the requirements of commercial firms operating under company's law, Chapter 486 of the Laws of Kenya.

In terms of distribution of the micro and small enterprises, Garissa County had the largest number of firms (48%) followed by Wajir County (26%) and Mandera County (27%). The achieved from Garissa was (37.2%), Wajir County (29.8%) and Mandera County (33%). In terms of distribution of livestock trade, a majority of MSEs (43.5%) were dealing in cattle, 39.3 percent dealt in goats and sheep while 17.3 percent were

trading in camels. The traders in camels were fewer because camels are the most expensive livestock, averaging Ksh 60,000 per animal and therefore were more capital – intensive than cattle, goats and sheep. The findings are presented in Table 4.2

Table 4. 2: Legal Form, County and Livestock Subsector MSEs Distribution

			Frequency	Percent
Legal Form				
Sole proprietor / family			111	58.1
Partnership			80	41.9
Limited liability companies			0	0
Total			**191**	**100**
County				
Garissa county	145	47.5	71	37.2
Wajir County	78	25.6	57	29.8
Mandera County	82	26.9	63	33.0
Total	**305**	**100**	**191**	**100**
Livestock Subsector				
Camels	-	-	33	17.3
Cattle	-	-	83	43.5
Goats/sheep	-	-	75	39.5
Total	**-**	**-**	**191**	**100**

Source: Field data(2015)

Table 4.2 indicates that the skewness observed in the legal form and firm size distribution of micro and small enterprises could be explained by the characteristics of the firms within the industry and their financial constraints. The distribution of firms as shown in Table 4.2, tends to depict to generalized characteristics. The bulk of the firms are clustered around micro enterprises and they are located in regions with better strategic trade location as is the case in Garissa County where 47.5% of the MSEs in the sector are based. In rural areas where these MSEs are located, the finite duration of the opportunity assumption makes modeling of entrepreneurial behaviour, social and economic institutions, and firm performance closer to the reality without losing generality.

The vanishing of existing opportunities in the livestock sector is the central force for small firm's poor performance, or failures and it can be explained in many ways such as the entrepreneurial behaviours of the owner managers, expiry of contracts, and socio-economic realities of geographic areas. In summary a majority (67.5%) of the micro and small enterprises in the livestock sector in North Eastern Kenya which participated in this study were less than ten years of age. The legal forms were sole proprietors and partnerships and a majority (48%) of them were located in Garissa County. Firm performance is greatly function of resources which is also dependent on the size of the firm. Unlike the strand of literature that is concerned with island model which proposes to describe a situation where industry size and the number of firms keep growing without consideration of decline and / or exits of firms, the legal form and MSEs distribution of those livestock enterprises used in this study suggests that location and size distribution vary across firms- with different entrepreneurial trade orientation and geographical and socio-economic constraints prevailing at given moment in accordance contingency theory of firm performance.

4.2.3 Number of Employees and Actual Start-Up Cost of MSEs

The participating firms for this study were examined in detail by their present numbers of employees and by their actual start-up capital inputs in order to classify their sizes. The approach used in the analysis involved classifying MSEs by the number of employees in groups of five – and by the amount of their start up capitals. The start-up capital were grouped into three categories of less than Ksh 100,000, between Ksh 100,000 to Ksh 500,000, and Ksh 500,000 to Ksh 1 million. The first category consisted of MSEs with up to nine employees and with start-up capital of less than Ksh 500,000. This category was named micro enterprises in accordance with

the definition of Kenya's MSEs Act, 2012. The second category had employees in the range of 10 to 49 and with start-up capital of between Ksh 500,000 and Ksh 1,000,000. Firms in this category were the small enterprises in accordance with MSE's Act 2012. The results of the analysis are presented in Table 4.3

Table 4. 3: Size of Employees and Start-up Capitals

Number of employees	Frequency of employees	Percent of total
1 – 5	19	9.9
6-10	153	80.1
11-15	10	5.2
16-30	6	3.1
Total N=	191	100.00
Size of start-up capital		
Less than Ksh 100,000	173	90.6
KSh 100,000-Sh 500,000	16	8.4
KSh 500,000-Sh 1 million	2	1.0
Total N=	**191**	**100.0**

Source: Field data (2015)

Table 4.3, indicated that 90 percent of the firms in the study had total employees of less than ten, and this was in accordance with the Micro and Small Enterprises Act, 2012 which indeed defined micro enterprises as those with employees not exceeding nine. Thus majority of MSEs in the livestock in North Eastern Kenya are micro enterprises. A indicates that 90.6 percent of the firms started their businesses with capital of less than Ksh 100,000. Infact a majority (60%) of the owners of firms in this study intimated that their start up capitals were very modest, less Ksh 50,000. "We had little money to start this business, but possessed more faith and determination to succeed," most of the owners of the enterprises reported.

These statistics in Tables 4.1, 4.2 and 4.3 therefore suggest that majority of the firms operating in the livestock sector in North Eastern Kenya are recent start-ups and are micro and small enterprises with minimal initial capital. However, 3.1 percent of the

firms were older than 20 years and only one percent had startup capital of above Ksh 500,000.

It was further revealed that small enterprises had more stock of livestock in ranches in Garissa County and were part of larger livestock trading networks in Mombasa and Nairobi. Analyzing micro and small firms by the number of employees and start capital is unsurprising because firm sizes, according to the literature are categorized according to the number of employees, balance sheet value and annual sales turnover (Scarborough, 2013). In this regard, the legal form of the businesses, the number of employees and the amount of start-up capital were used to confirm that indeed the participating firms in the study were micro and small enterprises.

4.2.4 Characteristics of the Entrepreneurs

Entrepreneurs as founders of business enterprises constitute a fairly heterogeneous group of individuals. In micro and small businesses, the firm's entrepreneurial behaviour and those of the owner managers are synonymous. The success of micro and small businesses heavily depend on the human capital of their owner managers. There is a recurring theme centered on management behaviour as crucial to the growth of small businesses; management behaviour can be derived from the background characteristics of the entrepreneurs, such as age, gender, business experiences and amount of formal education. Since the focus of this study is on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya, it becomes essential to examine some of the characteristics of the entrepreneurs, the 191 traders in the sector who participated in the study. Such an approach helps complement with evidence the theoretical analysis of chapter two and

three of this study. Under this section, characteristics of the entrepreneurs in terms of the gender of the respondents, their respective ages, their work experiences and their level of formal education were analyzed. Analysis of the characteristics of the entrepreneurs indicate that a majority of the entrepreneurs in the livestock sector were men (57.1%) whereas women owned MSEs were 42.9%. Given the conservative nature of the communities in North Eastern Kenya, it was rather surprising to find that about 43 percent of all the MSEs in the livestock sector were owned and managed by women. However, more men were trading in camels and cattle than women.

More women were in the businesses of trading in goats and sheep as they argued that enterprises dealing in goats and sheep required less capital and were less complicated and easier to operate. Most of the entrepreneurs were married (91.9%) and only (8.9%) were single. This suggested that MSEs in this sector were for people of middle age and since entrepreneurs are older on average, and older people are more likely to be married; was deducted as social capital driven and necessity in motives.

In terms of the ages of the entrepreneurs (26.7%) were in the age bracket of between 18 years and 35 years, described in Kenya as the "Youth", 66.5 % were in the age bracket of between 36 years and 50 years and 6.8% were above the age of 50 years. In terms of business or work experience, a majority (77.5%) of the entrepreneurs lacked any business experience and only 22.5% had some kind of business experience. In addition to business experience, the formal educational levels of the entrepreneurs were analysed. In this context, level of education was categorized into six groups: those with no any formal schooling, those with some primary level education, those

who completed primary level of education (8years); those with some secondary schooling, those who completed secondary or 12 years of education and finally those with some level of college or post-secondary level of education. As indicated in Table 4.4, a large number (46.1%) of entrepreneurs were those with no any level of formal education, could hardly speak in English but could speak in Kiswahili with some challenges.

However, it was interesting to note that 26.7 percent had qualifications to primary level or below in terms of formal education. Only 2.1 percent of MSEs owners reported to had education qualifications to college or post secondary level. The findings are presented in Table 4.4.

Table 4. 4: Characteristics of the Entrepreneurs

a)Gender; N=191	Frequency	Percent
Male	109	57.1
Female	82	42.9
Total N= 191	**191**	**100.0**
b) Age of entrepreneurs N = 191		
18-35 years	51	26.7
36-50 years	131	66.5
Above 50years of age	9	6.8
Total N= 191	**191**	**100.0**
c) Their work experiences N = 191		
No work past experience	148	77.5
Yes –with work experience	43	22.5
Total N= 191	**191**	**100.0**
d) Educational levels N = 191		
None	88	46.1
Some primary levels	7	3.7
Completed primary (8 years of schooling)	44	23.0
Some secondary	36	18.8
Completed secondary (12 years of schooling)	12	6.3
Studied college (Post-secondary)	4	2.1
Total N = 191	**191**	**100.00**

Source: Field data (2015)

Table 4.4 indicated that gender distribution, age of entrepreneurs, their work experiences, and their educational levels, the data confirms the characteristics of the entrepreneurs as generally theorized by the literature review on micro and small businesses. The findings from this study concurs with Knips (2004) who argue that a majority of entrepreneurs in the livestock are men, who were below 50 years of age, and with limited human capital in term of business experiences and formal educational levels.

Entrepreneurial human capital is largely acquired on an individual basis and consists of a combination of skills, knowledge and resources that distinguish an entrepreneur from his or her competitor. Thus, gender, age, work experience and educational levels are considered important criteria in relation to firm performance, entrepreneurial behaviour and human capital have been linked to entrepreneurial activity (Rwigema, 2011). These results concur with Box et al. (1994) who argue that firms of entrepreneurs with higher education and greater industry experience tend to perform better than firms of less educated and inexperienced entrepreneurs. Analyzing personal characteristics of entrepreneurs is important because the literature in forms that as, much as 90 percent of small business failures are attributed to incompetent management (Stokes & Wilson, 2006).

4.2.5 Characteristics of the Firms

The nature of micro and small firms demands that they have certain recognizable firm level characteristics. These firm levels attributes of micro and small enterprises include firm structures, management styles, dispute resolution mechanisms, records keeping methods, linkages with large firms, sources of funding and registration with national revenue authorities such as Kenya Revenue Authority. Firm level

characteristics can be seen as a firm's profile in terms of size, age and experiences in the business. Accordingly, the firm level characteristics of those firms which participated in this study were analysed in terms of their structures, record keeping, level of formality, end markets served, registration with Kenya Revenue Authority (KRA) and/or operating a business bank account. In terms of management, 96.9% of MSEs were managed by owners who also took the role of managers on day to day basis. Three percent (3.1%) of the MSEs had employed full time managers, separate from the owners.

As indicated in Table 5.5 , 7.3%, of MSEs were associated with large firms such as Kenya Meat Commission (KMC) with a majority(92.7%) having no contractual relationships or any other association with large firms. In terms of accounting form of recording keeping, only few firms (2.6%) employed full time book keeper, a majority (97.4%) had no services of a book keeper. Interestingly, 85.9 % of MSEs kept their records of the number of livestock traded, number sold, the sales amount and purchases amount in some books known as stock ledger and Monthly sales and purchases ledger whereas 14.1% kept their records in some receipts or other forms.

Whereas a majority (52.4%) of the MSEs have Nairobi as their end market, 39.3 percent have trading their activities limited to their respective counties. However, 6.8 percent take their livestock supplies to Mombasa and only 1.6 percent of MSEs were engaged in export trade to Middle East. A majority (62.3%) of the MSEs were founded through the initiatives of the owner managers. A significant number (26.2%) of the firms were created through the introduction and support of friends and relatives. Few of the firms (4%) were purchased businesses and only 9.4 percent of the firms

were inherited from parents. In terms of formality, 27.2 percent of the firms were registered with Kenya Revenue Authority (KRA) for tax purposes and majorities (72.8%) were not registered for value added tax nor income tax with KRA. This confirms that the micro status of most of the MSEs. Micro firms assume that registration for KRA carries with it the burden of costs without matching benefit. A majority (80.1%) of the firms operated bank accounts, whereas 19.9 percent of them did not have bank accounts. Micro business owners argue that operating bank account is costly and inconveniencing for them.

In terms of operation, (54.5%) MSEs operated from home with 45.5 percent indicating operating in some rented premises, or otherwise away from their homes. In terms of dispute or debt settlement mechanisms, 62.8% of owner/ managers of MSEs stated that they used informal methods of community elders to arbitrate their business disagreements when that occurs, 20 % of them said they used the law courts and only 3.1 percent reported the use of Kadhi Courts. In terms of business diversification, 88 percent reported that they didn't own any other business and 12 percent reported that indeed owned some other businesses such as restaurant or grocery shops to complement their livestock trade. Some of the entrepreneurs (30.4%) reported that livestock trade was seasonal and therefore had additional occupation, whereas (69.8%) of owners/ managers reported that they operated their livestock businesses as full time and thus had no additional occupation. In terms of business planning, a majority (94.8%) of the MSEs lacked any written business plans. Only 5.2 percent reported that they had some kind a document known as of a business plan.

This well fitted with the management approaches of micro enterprises. For startup entrepreneurs raring to implement their ideas, writing a business plan seems to be unnecessary exercise standing in the way of what is really important to them, which is opening the doors for business. Although, careful preparation of a business plan provides an entrepreneur with an opportunity to pull together all facets of a new venture and examine the consequences of different strategies and tactics, written business plans is laborious demanding higher level of human capital and costs in terms of time and money. In a summary a written business plan is virtually a universal requirement for entrepreneurs who are seeking formal venture capital.

However, very few entrepreneurs ever have formal venture capital in hand at the moment they start their ventures. Majority of micro and small firms sources their funding from within; the owners and through friends and family and therefore argue that they don't need business plans whose main motive is for fund raising through additional partners or loans (Kirby, 2006).

Table 4.5 : Firm Level MSEs Characteristics

a)Structures N = 191	Frequency	Percent
Owners/Managers	185	96.9
Have a manager	6	3.1
Total	191	100.0
b. Management: Book keeping N = 191		
Forms of accounts: Associated with large firms: Yes	14	7.3
No	177	92.7
Books	164	85.9
Receipts	26	13.6
Others	1	0.5
Employ a book keeper	5	2.6
Total	191	100.00
c. Level of formality: N = 191		
Funding through own initiative	119	62.3
Introduction through friends / relatives	50	26.2
Inherited from parents	18	9.4
Purchased business	4	2.1
Total	191	100.00

d) The end markets N = 191		
Local in the same county	75	39.3
Nairobi	100	52.4
Mombasa	13	6.8
Export – middle East	13	1.6
Total	191	100
e) Registration with KRA/Banks account N=191		
Registered with KRA	52	27.2
Not registered with KRA	139	72.8
Operate bank accounts	153	80.1
Have no bank accounts	38	19.9
Operate from home	104	54.5
Operate way from home	87	45.5
Total N=191	**191**	**100**

Source: Field data (2015)

Table 4.5 indicate the responses in regard to the characteristics of the entrepreneurs and the firm level characteristics of their livestock enterprises. The findings concur with descriptions of characteristics of micro and small enterprises in literature. The management styles of the enterprises studied, their records keeping methods, level of formalities, their operational frameworks and scope suggest that a majority of firms are micro and small. A majority of the firms (96.9%) studied lacked vision for growth, commitment to constructive change, persistence to gather necessary resources, and energy to achieve unusual performance. These findings concur with Menzel (1993), who argued that as the ethical climate of an organization becomes stronger, it tends to have positive moderating influence on organizational performance.

In summary, Tables 4.4 and 4.5 demonstrate that micro and small enterprises in the livestock sector in North Eastern Kenya are young in terms of age, size, capacity and philosophical outlook. Majority of the firms have financial, human capital and physical capital resource limitations. These are not unusual given the geographical,

economic and social institutional environment in which these firms operate. The analyses of the data suggest the institutional and physical infrastructure necessary to ensure broad-based, low-cost access to competitive, well –functioning livestock markets and supplies requires significant investment by county and national governments or non- governmental bodies' aid flows. Since such significant public sector investment is not obvious, the MSEs in the livestock experience resource scarcity and thus many of them get stuck at the bottom of the entrepreneurial pyramid 'micro and small enterprises' category.

4.2.6 Performances of the Micro, Small Enterprises

In this study the descriptive statistics for the dependent study variable of performance are presented in terms of their distribution, central tendency and dispersion in Table 4.6. As can be observed from the Table, distribution of perceived profit, profits/sales ratio, growth in the past five years and owners'/employees satisfaction levels are provided in terms of skewness, mean, median, standard deviation and covariance of variation. The results for central tendency are indicated by the values for mean and median of the data, whereas results for dispersion of each of the performance dimensions are presented in the form of standard deviation and coefficient of variation. The median is preferred over the mean (or mode) when data is skewed, since the mean loses its ability to provide the best central location as the skewness drags it away from the typical value. However, the median best retains this position and is not strongly influenced by skewed values. Respondents were asked to rate the growth and profitability of their business in terms of perceived profit, profits/sales ratio, growth in the past five years and owners'/employees satisfaction levels during the past five years on a likert scale of 1 to 5 where 1= Strongly disagree and 5=

Strongly agree. The findings are presented in Table 4.6

Table 4.6: Descriptive Statistical Summary for Performance of MSEs

Measure	Profit above average	Profit/Sales ratio	Growth in the past 5 years	Owner's or /customers Satisfaction
N	187	181	181	181
Skewness	1.038	0.735	-0.328	0.672
Mean	2.112	2.658	3.144	2.072
Median	2.00	2.00	2.00	2.00
Standard deviation	0.818	0.968	0.989	0.775
Coefficient of variation	0.387	0.364	0.314	0.374

Source: Field data (2015)

Table 4.6 results shows the descriptive statistics of the MSEs performance in terms of average profits, profits as a ratio of sales volume, growth in the past five years and owners/ customers satisfaction. The finding in Table 5.6 shows that the distribution for average profit was rather high. The results additionally show that the distribution had a large right tail (Skewness $=$ 1.04). The results show that profits on average (Mean= 2.112) was a significant component of MSEs performance. The variation among responses was moderate (Sd=0.818). The analytical results for ratio of profits to sales presented in Table 5.6, show a negative distribution (Skewness =-0.328) of near symmetrical distribution in nature.

In interpretation, this means that there was a near balance in scores to both sides of the value of the mean. Majority of the MSEs reported below average profits to sales (Mean=2.658). The variation among responses concerning profits to sales was relatively wide – spread (Sd = 0.989). The results thus reveals a situation where overtime in the lives of these young firms, majority of them experienced profits to

sales ratio growth levels in the range of 8% to 15%. This is within the average sales growth in the livestock sector as confirmed by the seven firms in the case study in chapter seven. The descriptive statistics for growth in profits in the past five years, point out that on average growth was rather low. The average growth (Mean= 2.658) tended to disagreement by respondents as measured by the Likert scale suggesting that profitability growth were matters pursued by majority of the MSEs in this study. The variations among the responses (Sd=0.968), however suggest that pursuit of profitability growth was relatively wide spread across the micro and small enterprises studied.

The entrepreneurs interviewed said that their primary goals in their business were survival and growth and these goals were validated by profitability growth. "Profits are the life-blood of our firms" they said. These descriptive statistical results show that majority of the MSEs studied in the livestock sector made modest profit growths ranging from 5% to 15%. Majority were in the category of those making less than 10 percent profits per year. The descriptive statistics on owners/ customers satisfaction levels is shown in Table 5.6.

The distribution is right skewed (Skewness = 0.672). This could be explained that the majority of the scores were moderate, hence showing a near symmetrical tail to the right of the normal distribution curve. Majority of the MSEs studied were in agreement that they had achieved higher satisfaction levels with the business (Sd=2.07). This is in agreement, with conclusion made concerning satisfaction levels of entrepreneurs or individuals who opt for small and microenterprises. Further, the variation among responses in regard to owners or customers satisfaction was

relatively lower in comparison with other performance variables (Sd= 0.775), meaning that the responses of the participants of the study shared common view that indeed " derived higher satisfaction " in the livestock trading sector in North Eastern Kenya.

In conclusion, the results of the descriptive data analysis strongly suggest that in most of the firms, the perception concerning their firm performance was low. Few firms indicated that their performance was "high, well-resourced and derived higher satisfaction to owners and customers. This is confirmed by the mean values that ranged from 2.11 to 3.14. Similarly, the dispersions indicates that even though there were small differences in opinions concerning measures of performance of their firms, these variations were minimal (Coefficient of variation range between 0.31 to 0.39). Small variations in opinion regarding performance factors indicates consensus on how performance was measured across the MSEs in the study. The pattern of scoring which did not suggest skewness towards extreme left or right assure that data for performance analysis demonstrated properties of normality and thus satisfy the requirements needed for different kinds of regression analysis.

4.2.7 Factor Analysis

Factor analysis was performed on the elements of the independent variables in order to extract the relevant set of factors to be used to fit the research model and test the hypotheses. The purpose of factor analysis was to discover simple patterns of relationships among variables and generate few for ease of analysis (Anderson, 2004). In the context of this research, the variables are the degree of agreement with various specific statements in regard to entrepreneurial behavior, social and economic

institutions, while the factors are the general underlying themes. In its procedure, rotation is either orthogonal or oblique. Oblique was applied to identify meaningful factor names or descriptions. Factor rotation was used to re-orient the factor loadings (FL) so that the factors were more interpretable. Use of oblique rotation allow for correlations between factors since many attitudinal dimensions are in fact likely to be correlated. For easier interpretation of the factors, only the pattern matrix is examined (Costello and Osborne, 2005). The results for the Factor Analysis are shown in (Appendix IIA and IIB).

The relevant factors were extracted and renamed on the basis of communality score of each item. The approach of extracting items on the basis of their communalities selects those items with communality score of greater than or equal to one (Churchill and Lacobucci,2002). The findings in Appendix IIA reveal that fourteen factors were extracted and these explained 71.471% of the total variation. Factor 1 contributed the highest variation of 12.735%. The contributions decrease as one move from one factor to the other up to factor 14. Second order extraction appendix II B show insignificant changes.

The initial component matrix was rotated using Varimax (Variance Maximization) with Kaiser Normalization. The above results allowed for the identification of which variables fall under each of the 14 major extracted factors are summarized and identified in Table 4.7.

Table 4. 7: Fourteen Factors Extracted

Theme	Specific Statements of study variables	Study Elements	FL
EB	I greatly plan my next move in this business	Tolerance of ambiguity	.760
	The future of livestock business is very bright.	Motivation	.747
	I will never give up this business regardless of failure	Risk taking	.725
	I know and comply with all business regulations	Legitimacy behavior	.687
	I take bold and wide ranging act within the business	Risk taking	.644
	I have (owner) network of individuals who trust to bring information/ideas.	Locus of control	.574
SI	I am a member of a very strong livestock business association.	Membership Business Ass.	.507
	We are members of varied groups with strong bonding ties.	Strong bonding groups	.496
	The business receives a lot of support from family/kinship	Kinship	.473
EI	The products of different firms are also different	Market structure	.759
	Options for competition in these businesses are many.	Market structure	.635
	I am a member of a very strong livestock business association.	Gov't policy dimension	.617
	There is much trust and honour among business community in the sector.	Gov't policy dimension	.600
	It is easy to borrow money from my social friends.	Access to financial resource	.592

Source: Field data (2015)

Table 4.7 indicates that each of the 58 variables were examined and placed to one of the fourteen factors depending on the percentage of variability; that is, the explained total variability of each factor. A variable is said to belong to a factor to which it explains more variation than any other factor. All items in the 14 factors identified had factor loadings above the cut-off value (0.4) impressing on their importance and meaningfulness to the factors in the light of recommendations by Hair et al. (1998). As Table 4.7 shows the individual variables constituting the fourteen factors extracted.

4.2.8 Entrepreneurial Behaviour

As the Table 4.8 shows the distribution of the five dimensions of entrepreneurial behaviour were analysed using skewness, measures of central tendency presented in terms of mean and median of the data. However, the outcomes of results for dispersion of each of the five dimensions of entrepreneurial behaviour are presented in the form of their standard deviations and coefficient of variation. Respondents were asked to indicate a likert scale of 1 to 5 where 1= strongly disagree and 5= strongly agree the statement of entrepreneurial behavior approximating to the actual conditions in it. The analyses are summarized in Table 4.8.

Table 4. 8: Entrepreneurial Behaviour Summary of Descriptive Statistics

Measure	Motivation: (achievement need)	Legitimacy seeking behaviour	Risk taking	Locus of control	Tolerance for ambiguity
N	190	189	189	188	188
Skewness	1.261	-0.1165	1.23	0.852	1.313
Mean	3.725	3.005	2.30	2.22	1.935
Median	2.00	3.00	2.4	3.0	4.0
Standard deviation	0.679	0.914	0.860	0.962	0.793
Coefficient of variation	0.183	0.304	0.374	0.433	0.409

Source: Field data (2015)

Table 4.8 describe the descriptive statistics of the dimensions of entrepreneurial behaviour, which in this study comprise: motivation or need for achievement, legitimacy seeking behaviours, risk taking, locus of control and tolerance for ambiguity, show the distribution, central tendency and dispersion for all these measures.

The results for frequency distribution of motivation dimension of entrepreneurial behaviour as measured by achievement need and thus long hours of work in Table 4.8 indicate that, the measure had a right-sided stretch more than to the left (Skewness= 1.261). This suggests that majority of the entrepreneurs were motivated highly and therefore most of the numbers of scores were spread out over greater range of values on the high value end. As for indicators of central tendency, motivation possessed a high mean score (Mean= 3.73), showing that more MSEs owners / managers in the study were motivated and achievement need driven to perform better and stay in business whatever the prevailing institutional circumstances. Further, they were highly determined, motivated individuals with a lot of self-confidence and locus of control. This was generally the case because of the entrepreneurs argued that "given their economic survival, and their geographical location in rural settings and limited formal education, the option were highly limited" thus, they had to be determined to make it or perish.

Regardless of how many times they failed, they would always pick themselves up and begin to run their business all over again. Some of them argued during focus group discussions that "entrepreneurship is 60% hard work, 25% favourable institutions and 15% luck". The legitimacy seeking behaviour, according to the frequency distributions in Table 4.7 show that it had a symmetric distribution to the left (Skewness = -0.1165). This suggests that the mean score was left of the median as well as the mode. Legitimacy seeking behaviour such as obtaining operating license, joining SACCO, business associations and registering with KRA, however recorded a mean score of 3.005, and a median score of 3.00.

These scores show that the MSEs in the study considered legitimacy seeking behaviour as an important element of business operations and therefore determinant of firm success. The risk taking component of entrepreneurial behaviour shows that, risk taking possessed a right-sided skewness of 1.230, Table 4.8. This means that the values had a positive tail but were near symmetric. This suggests that the entrepreneurs took only calculated risks and were more conservative in their business dealings. The mean distribution of risk taking(Mean=2.30) suggest that majority of the MSEs in the livestock sector do not undertake risk taking activities such as the application for loans or entering new markets such as those of exports or national terminal livestock markets. The variation among responses was moderate in regard to risk taking ventures (Sd= 0.860) This moderate score shows that MSEs owner managers had an almost consistent of opinions regarding how risk taking was affecting their firm performances.

The results for effectuation or locus of control as one of the key elements of entrepreneurial behaviour are also presented in Table 4.8. The results show that locus of control possessed positive skewness of 0.852. This shows that the values were skewed to the right, confirming that the entrepreneurs were indeed individuals with high levels of self-confidence, self-belief, and of the perception that success or failures of their MSEs were mainly attributable to their entrepreneurial behaviours and not to external factors, beyond their controls. The results indicate that locus of control variable is a significant component of entrepreneur behavior (Mean= 2.22). The variation among responses was greater with regard to effectuation: locus of control (Sd= 0.962), showing that majority of the MSEs had greater variation in their assessment for measures locus of control.

The results for tolerance for ambiguity dimension for entrepreneurial behaviour area also provided in Table 4.8. The distribution stretches to the right more than it does to the left (Skewness=1.313). The results indicate that tolerance for ambiguity variables on average have a significant weight on entrepreneur behavior (Mean= 1.935). The results suggest that the MSEs owners/managers, consider tolerance for ambiguity as a very important attribute of firm performance and survivals of enterprises. The standard deviation for the values of tolerance for ambiguity demonstrated a relatively moderate value (Sd=0.793), indicating or suggesting that the respondent held a near consistent answering in the manner in which they perceived the concept of tolerance for ambiguity. During the focus group discussion sessions, the dimension for tolerance of ambiguity was made clear to mean "tolerance for failure and business performance challenges".

In conclusion, these descriptive statistical analyses for entrepreneurial behaviour indicate that most MSEs considered the variable as a major driving force of firm performance. The statistics show that the values for entrepreneurial behaviour displayed properties of normal distribution. This means that, if the mean of the respondent's scores were independently drawn from the study sample it would be approximately normally distributed. There was a marked consistency (Coefficient of variation range 0.18 to 0.43) in response to the questions. Since normality is a requirement in linear regression confirmation from this descriptive statistical analysis for entrepreneurial behaviour are normally distributed is a clear indication that the variable is appropriate for further analysis using linear regression together with more advanced inferential statistical analysis.

4.2.9 Social institutions

The descriptive statistics of the dimensions of social institutions are presented in Table 4.9. The results of the descriptive statistics for distribution of kinship/family, co-ethnic networks, membership of business associations, existence of business rules, level of trust among traders, strong bonding groups and social capital seeking behavior are presented in terms of skewness. However, the results for central tendency are provided in terms of mean and median of their data. As concerns results for dispersion of each of the seven elements of social institutions, however, have been presented in terms of their standard deviations. The scores of respondents for distribution, central tendency and dispersion of kinship/family, co-ethnic networks, membership of business associations, existence of written business rules or plans, level of trust and the livestock traders for statements of social institutional variables approximating to the actual conditions indicated on a likert scale of 1 to 5 where 1= Strongly disagree and 5= Strongly agree are summarized in Table 4.9.

Table 4. 9: Descriptive Statistics for the Dimensions of Social Institutions

Measure	Kinship/ family	Co-ethnic networks	Membership of business association	Existence of business rules	Level of trust among traders	Strong bonding groups	Social capital seeking Behaviour
N	187	188	186	185	186	189	187
Skewness	-0.226	1.462	0.618	-1.178	1.019	1.094	0.420
Mean	2.86	2.01	2.55	4.00	2.13	2.29	2.64
Median	3.00	2.00	2.00	4.00	2.00	2.00	3.00
Standard deviation	1.089	0.881	1.176	0.984	0.996	0.889	1.007
Coefficient of variation	0.380	0.438	0.461	0.246	0.468	0.388	0.381

Source: Field data (2015)

The results in Table 4.9 shows that the distribution of kinship /family a social institutional variable stretches to the right more than it does to the left (Skewness= -0.226). Family/kinship as a social institutional variable strongly contributes to the relationship between entrepreneur behaviour and MSEs performance (Mean=2.86). MSEs in the study preferred to make use of the social capital of their kinship and those of their families although high dependency ratio is characteristic in this culture. This shows that the values were more skewed to the rights, indicating that kinship and family institutions played key role in accessing financial resources and labour and therefore contributed somewhat highly to firm performance. The variations among responses was greater for the dimension of kinships /family (Sd= 1.089) this indicates that there were high variations in the values for this dimension of social institutions.

The frequency distribution in Table 4.9 further indicates that co-ethnic networks had a near asymmetrical distribution stretching to the right (Skewness=1.462). This means that the values possessed a positive tail, the mean being to the right of the median. Basically, this suggests that co-ethnic networks are useful institutional framework for firm performance. That co-ethnic network to a lesser extent influenced MSEs performance (Mean=2.01). The variation in responses in regard to co-ethnic network was small and consistent (Sd=0.881). Table 4.9 further shows frequency distribution of membership of business association such as SACCos or other associations like counties livestock marketing councils. The distribution shows that membership of business association had right-sided stretch (Skewness = 0.618). This shows that majority MSEs owners/managers considered membership of business groupings or association as important for the growth and survival of the firms.

There was a moderate agreement (Mean=2.55) that membership in association was an important variable of social institutions. There was a widest variation among responses (Sd=1.176) in regard of membership in a business association as a social institutional variable. The frequency distribution was left skewed stretching asymmetrically to the left for the existence of written business rules and internal regulations of business plans (Skewness = -1.178). This means that majority of MSEs lacked written business rules, or business plans. This indicated that firms lacked adequate human capital to achieve the goal of having supportive business roles. The mean score of existence of business rules was Mean=4.00) implying that the MSEs in the study considered existence, or having written business rules, or business plans as vital for the success or growth of the firms. There was moderate variation among responses in regard to existence of business rules (Sd=0.984). This suggests that the MSEs owner managers considered existence of rules or written business plans as critical to the success of their respective firm although majority of them lacked the capacity.

Table 4.9 additionally shows asymmetrical frequency distribution for level of trust among the livestock traders and also among their customers and suppliers. The distribution shows that level of trust among traders stretched to the right (Skewness=1.019). This shows that the scores possessed a positive tail, which was close to symmetric with a more skew to the right. This distribution pattern of level of trust among traders or trust as a dimension of social institutions is reflected in scores for measures of central tendency which show high values for (Mean=4.00) and Median=4.00) respectively. This demonstrate that a good number of MSEs engaged themselves in giving or receiving resources; funding supply of livestock on credits or

human capital support simply based on trust and the belief that the other party would honour any commitment made or business deals transacted. The standard deviation of level of trust among traders scored 0.996. This rather big value shows that there was wide variation in the views among most of the respondents or MSEs owners/managers concerning how level of trust among traders influenced firm performance as an element of social institutions.

4.2.10 Economic Institutions

The descriptive statistics of the five dimensions of economic institutions are presented in terms of distribution, central tendency and dispersion in Table 4.10. The results for distribution of government policies dimension, market structure, availability of opportunity and training, ease of transport or movement of livestock, ease of access to financial capital and education and innovation systems are provided in terms of skewness. Additionally, the results for central tendency are shown by the mean and media of their data. However, the results for dispersion of each of the economic institutional dimensions are presented in terms of their standard deviations. The figures of respondents for distribution, central tendency and dispersion of government policy dimensions, market structure, opportunity and training available, ease of transport for the livestock, access to financial resources and education and innovation systems for statements of economic institutional variables approximating to the actual conditions indicated on a likert scale of 1 to 5 where 1= Strongly disagree and 5= Strongly agree are summarized in Table 4.10.

Table 4. 10: Descriptive Statistics of Economic Institutions

Measure	Gov't policy dime.	Market structure	Opport.& training	Ease of transport	Access to financial resources	Business Assoc./ Saccos	Educ. & Innovation Systems
N	186	186	187	188	186	186	188
Skewness	-0.517	1.078	0.524	-0.382	-1.832	-0.3015	0.711
Mean	3.32	2.37	2.39	3.03	3.874	3.285	2.613
Median	3.00	2.00	2.00	4.00	4.00	3.00	2.00
Standard deviation	1.083	0.955	0.999	1.230	1.093	1.096	0.928
Coefficient of variation	0.326	0.403	0.418	0.406	0.282	0.333	0.355

Source: Field data (2015)

Table 4.10 indicates that the skewness of government policy dimension of economic institutions was negative, having a tail to the left (Skewness = -0.157). Government policy dimensions imply Kenya's national and county governments' policy objectives and laws in respect to livestock sub sector. Additionally, the findings in Table 4.10 reveal that respondents were in agreement that government policy objectives in form of information, trainings of traders, a policy frameworks or direct financial access were generally lacking and acted as constraints to better firm performance (Mean=3.32). The variation among respondents were greater (Sd=1.083) perhaps due to differing county governments objectives to livestock business sector.

The analysis of market structure dimension comprising of nature of products, competition, price, market rivalries, and buyer behaviour are presented in Table 4.9. The results indicate that the values for this dimension had a near a symmetrical right distribution (Skewness = 1.077). The results indicate that market structure had an influence on MSEs performance (Mean=2.37). Finally, the values for market structure too show that the values were widely dispersed (Sd = 0.955).

These scores inform that many micro and small firms in the livestock sector in North Eastern Kenya consider market structure, the nature and number of firms in the sector and therefore competition as an important element in business profitability and thus firm performance. This is captured by the right tailed skewedness and the mean value for this dimension. This result had some uniformity across MSEs in the study as indicated by the low standard deviation.

The analysis for the frequency distribution of opportunity and training available are also presented in Table 4.10. These results show the values for this dimension had a positive right tail (Skewness = 0.524) with (Mean=2.39). The variation among the responses in regard to opportunity and training was widely dispersed (Sd=0.999). These findings show that many MSEs in this study considered opportunity and availability of entrepreneurial management trainings as one of the important determinant of firm performance. However, the MSEs owners/managers felt that such training was not available in their respective counties. And if available, such trainings were provided for those with more advanced formal education such as those MSEs owners who reached beyond eight years of schooling.

The findings for the frequency distribution of ease of transportation for the livestock are also presented in Table 4.10. These results indicate that the figures of this dimension had a left tail (Skewness = -0.382). The results for central tendency demonstrate that mean, and median were 3.03 and 4.00 respectively. These results suggest that ease of transport for livestock was considered by the MSEs owners managers as very important to the performance of their firms. However, they indicate that transporting or trekking livestock from far away counties such as Mandera and

Wajir to terminal markets such those in Nairobi and Mombasa or even to Garissa was costly and challenging for traders. Therefore the results show that standard deviation was (Sd=1.23), suggesting that most of the traders held different opinions on the ease of transport for the livestock to terminal markets located in urban areas of the country. Similarly the results of access to financial resources are provided in Table 4.10. These results show that the values for this dimension of economic institutions had a long left tail (Skewness= -1.832). There was a strong agreement that financial resources was a strong constraint in livestock trading business (Mean=3.874). The variation among responses for access to financial resources was highly dispersed (Sd = 1.093). These results indeed demonstrate that majority of MSEs in the study considered access to financial resources as great challenge to their performance; growth, profitability and survival. This is shown by the left tailed skewness and the very strong mean value of this dimension.

The analysis, in summary show that for the most MSEs in the study, economic institutions as represented by the dimensions of government policy dimensions, market structure, opportunity and entrepreneurial trainings available, ease of transport for the livestock, access to financial resources and education and innovation systems, influenced greatly the performance of their respective firms. The low coefficient of variation values in the range of 0.28 to 0.42 indicate that whereas there was some variations in the opinions concerning how economic institutions influenced the performance of the MSEs in the study, these variations were small, showing more of consensus on how economic institutions or their lack thereof, manifested across the MSEs in the livestock sector. The pattern of scoring of the results suggests that data for economic institutions demonstrate the qualities of normal distribution.

4.3 Testing of the four hypotheses using inferential Statistics: H_1, H_2, H_3, and H_4.

The primary focus of this study was to establish the relationship between entrepreneurial behaviour and MSEs performance. Further the objectives of the study were to investigate the moderating roles of social and economic institutions on the effect of entrepreneurial behaviour on the performance of MSEs in the livestock sector in North Eastern Kenya. Finally the study aimed at establishing the combined effects of three predictor variables; entrepreneur behavior, social and economic institutions on MSEs performance. Following the literature review in chapter three, the nature of these variables of the study and their relationships were examined in detail with performance as the dependent variable of the conceptual framework presented in chapter three. Figure 3.1 demonstrates the conceptual model schematically presented with four hypotheses H_1, H_2, H_3 and H_4. The first hypothesis, H_1 focused on determining the direct effect of entrepreneurial behaviour as an independent variable on the performance of MSEs firms. Hypotheses, H_2 and H_3 aimed at establishing the moderating roles of social and economic institutions on the relationship between entrepreneurial behaviour and firm performance.

Finally, hypothesis H_4 focused at examining the strength of the combined effects of the three predictor variables on the performance of the MSEs studied and that of their individual effects. Each hypothesis was formulated to achieve study objectives as shown in section 1.4, chapter one of this thesis and, hence the objectives were achieved by tests based on the intended purpose, that is, description; evaluating differences; examining relationships and making predictions resulting to the choice of factor analysis as preliminary, regression analysis and variance analysis.

In order to facilitate credible hypothesis testing mechanism, the variables were operationalized in suitable forms at the lowest levels in the firms as shown in Table 3.1 of Chapter three. The appropriate data was then collected using questionnaires that were developed based on the dimensions of each of the study variables in order to establish the role and effects of the variables and their dimensions on the performance of the MSEs in the livestock sector. Testing of the four hypotheses was done in three parts: Part one employed factor analysis as a preliminary that sorted out important specific statements of the predictor variables.

Part two of the analysis used correlation analysis to establish the nature, direction and strengths of the relationship among the various measures of each of the four study variables and the performance of the MSEs. Part three of the analyses employed regression analysis, variance analysis and discriminate analysis. The choice of correlation and regression analysis was based on the need to explore the relationships of the independent variables and the performance of the MSEs studied.

This method permits analysis of interrelationships among large number of variables in a single study. It also allows analysis of how several variables either singly or in combination might affect a particular phenomenon being studied. The analysis method (choice) also provides information concerning the degree of relationships between the variables being studied (Sekaran & Bougie, 2010). To address the research hypotheses, the study checked whether the regression coefficients of entrepreneurial behavior, social and economic institutions (β_i) were positive (+) and significant (P value of < .01) in line with theory and study expectations. The regression analyses used included univariate and multivariate methods.

Univariate was used to determine the direct relationship or effect of entrepreneurial behaviour on MSEs performance. Multivariate analysis was used to establish multiple predictor variable relationships against the dependent variable. Multiple regression method was therefore applied to verify the relationship which involved the dependent variable; MSEs performance and two or more predictor variables.

4.3.1 Entrepreneurial behaviour and performance of MSEs

Hypothesis H$_1$: There is a significant direct relationship between entrepreneurial behaviour and performances of micro and small enterprises in the livestock sector in North Eastern Kenya. For the purpose of testing hypothesis H$_1$, entrepreneurial behaviour was framed as a function of the dimensions of motivation – achievement need, legitimacy seeking behaviour, risk taking, locus of control and tolerance for ambiguity or business failures (Rwigema, 2008). These five dimensions were thus operationalized by asking questions to the MSEs owners and managers about the concrete actions illustrating these elements. Similarly, performance of the MSEs was measured in terms of average growth in profits, profit to sales ratio, and improvement in the satisfactions of the respective MSEs owner/ and managers. In this section first correlation analysis was done on entrepreneurial behaviour and MSEs – performance followed by regression analysis.

The purpose of these analyses was to determine whether there were strong or weak correlations between the elements of entrepreneurial behaviour and performance of MSEs. Normally low regression coefficients would indicate weak correlations between the independent and the dependent variables. It was for this reason that it was felt essential to compute correlation analysis to provide an indication of whether the

measures of entrepreneurial behaviour were indeed related significantly to MSEs performance. To this end, the correlation analysis was done for the six extracted measures of entrepreneurial behaviour and the results of the analysis are presented in Table 4.11.

Table 4. 11: Correlation Coefficient for Entrepreneurial Behaviour and Performance of MSEs

Study variables	Study elements	Correlation 'r'
I greatly plan my next move in this business	Tolerance of ambiguity	0.293 [**]
The future of livestock business is very bright.	Motivation	0.578 **
I will never give up this business regardless of failure	Risk taking	0.552 **
I know and comply with all business regulations	Legitimacy behaviour	0.421 [**]
I take bold and wide ranging act within the business	Risk taking	0.373 [**]
I have (owner) network of individuals who trust to bring information/ideas.	Locus of control	0.370 [**]
[**] Correlation is significant at the 0.01 level (2-tailed) [*] Correlation is significant at the 0.05 level (2-tailed)		

Source: Field data (2015)

Table 4.11 shows the results for correlation analysis for entrepreneurial behaviour and performance of MSEs in the livestock sector show that all the measures of entrepreneurial behaviour were positively correlated with the performance of the MSEs. The scores show no negative correlation between any of the variables and MSEs performance. The results indicate that there is a positive correlation between entrepreneur aspects of tolerance for ambiguity, legitimacy seeking behavior, risk taking, and locus of control as well motivation (achievement need). The correlation between compliance with business regulation as a legitimacy seeking entrepreneur behavior and composite MSEs performance was r=0.421. Correlation for ability to plan as a tolerance for ambiguity indicator correlated positively with MSEs performance, with r=0.293. Motivation/achievement need measured by the promise of

a future prospect of livestock business had a moderately positive correlation with MSEs performance r= 0.578. Taking bold and wide ranging acts for the business and the motivation of never giving up in the livestock business regardless of failure as risk taking entrepreneur behavior correlated positively with MSEs performance r=0.373, and r= 0.552 respectively.

Establishment of a network of individuals who are trusted and relied on to provide information/ ideas as a locus of control indicator was also positively correlated r= 0.370. For the objective of establishing the effect of entrepreneurial behaviour on the performance of the MSEs in the study, a three step procedure method was applied. First, a construct of entrepreneurial behaviour was used, then the responses were grouped into five dimensions. Likert scale responses to all the questions on entrepreneurial behaviour were summed up to create the index for the construct of entrepreneurial behaviour. Firm performance was also computed as an index of the sum of the Likert scale responses of all its measures data. The following mathematical model was used to get the results for the regression of MSEs performance on the construct of entrepreneurial behaviour that is presented in Table 4.12.

MSEs performance = a+B$_{perf}$ $\sum MSEP_1$ $= a + \beta \Sigma EB + E$

Where i = 1 to 5, j = 1 to 5, MSEP = MSE performance, EB = Entrepreneurial Behaviour

Table 4. 12: Regression Prediction Model Summary for MSEs Performance and Entrepreneurial Behaviour

Model Coefficient		Unstandardized coefficients		Standardized Coefficients		T	Sig.	Collinearity	
		B	Std Error	Beta				Tolerance	VIF
(Constant)		1.376	.215			6.389	.000	.390	2.00
I greatly plan my next move in this business (X_1)		-.034	.124	-0.31		-.279	.781	.458	2.12
Future of livestock business is bright (X_2)		-.145	.125	-0.113		-1.16	.247	.440	2.140
I will never give up this business regardless of failure (X_3)		.104	.107	.098		.967	.335	.440	3.120
I know and comply with all business regulations (X_4)		.274	.093	.272		2.936	.004	.405	3.20
I take bold and wide ranging act for the business (X_5)		.230	.101	.228		2.280	.024	.670	2.08
I have network of individuals whom I trust to bring information/ideas (X_6)		-.037	.080	-.465		-.465	.642	.560	1.500
Model Summary	R		R^2		Ad. R^2	Std Error Est.			
	.378[a]		.143		.114	. 79558			
Model ANOVA		Sum of Squares	Df	Mean Square	F	Sig.			
	Regression	18.817	6	3.136	4.96	.000[b]			
	Residual	112.664	178	0.633					
	Total	131.481	184						
a. Dependent Variable: Composite Performance									

Source: Field data (2015)

Table 4.12 shows the regression prediction model summary for MSEs performance and entrepreneurial behaviour. Although the results of the correlations showed statistically significant relationship between entrepreneurial behaviour and MSEs performance, it was felt necessary to test further H_1 using the direct measures for the dimensions of entrepreneurial behaviour. The literature reviewed such as those of Kirby (2003); Stokes and Wilson (2006) argue that entrepreneurial behaviour manifests in business firms in the forms of motivation / need for achievement, locus

of control, legitimacy seeking behaviour, opportunity identification, resource accumulation efforts, and risk taking. The results in Table 4.12 indicate that, MSEs performance is positively influenced by indicators of legitimacy seeking behavior(X_4), risk taking (X_3) and (X_5) entrepreneur behavior dimensions. It is however influenced negatively by tolerance for ambiguity(X_1) and locus of control indicators(X_6). The resulting model is expressed as follows:

MSE Performance= 1.376-0.31 X_1- 0.113 X_2+0.098X_3 + 0.272X_4 +0.228X_5-0.465X_6

This model has an r coefficient of 0.378 and an F value of 4.96 significant at $P < 0.01$. This means the model could be used in predicting livestock MSE performance based on indicators of entrepreneur behavior. Hence, entrepreneur behavior has a positive influence on MSEs performance as indicated by the correlations. The model is moderately strong since entrepreneur behavior account for 11.4 percent of change in livestock MSEs Performance, with a standard error of 0.796. The Table 4.12 shows that Tolerance values lie below 1.00 and VHF below 10.00. This shows that there were no problems of multicollinearity in the regression. The same was true for other regressions.

4.3.2 Entrepreneurial behaviour, social institutions and performance of MSEs in the livestock sector.

Hypothesis H$_2$: Social institutions moderate the relations between entrepreneurial behaviour and performance of MSEs in the livestock sector in North Eastern Kenya.
In order to determine associations of social institutions and performance of MSEs, tests for correlations of extracted measures of social institutions were carried out. The aim of correlations was simply to identify associations between measures of social institutions and performance of MSEs and apply them in the following data analysis using regression method. Table 4.13 presents the results for the correlation analysis.

Table 4. 13: Correlation between Social Institutions and MSEs Performance

Study variables	Study Elements	Correlation 'r'
The business receives a lot of support from family/kinship	Membership Business Association	-0.077
We are members of varied groups with strong bonding ties.	Strong bonding groups	0.191**
I am a member of a very strong livestock business association.	Kinship	0.323 **
** Correlation is significant at the 0.01 level (2-tailed)* Correlation is significant at the 0.05 level (2-tailed)		

Source: Field data (2015)

Table 4.13 specifically indicates social institutions were correlated with composite livestock MSE performance. The findings reveal significant positive correlation of r= 0.323 of membership in a business association significant at P=0.01. It is also positively correlated with social institution indicator of being in a member of a varied groups with strong bonding ties, with a correlation coefficient r=0.191. The findings further indicated that family/ kinship support correlated negatively with livestock MSEs Performance r= - 0.077 and was not significant at P=0.01 nor at P=0.05.

Therefore, these values were used to represent social institutions when moderating effect of social institutions was tested. Stepwise regression analysis approach was applied in order to establish whether social institutions moderated the relationship between entrepreneurial behaviour and MSEs performance. The following equations were used to establish the moderating role of social institutions between the relationship of entrepreneurial behaviour and MSEs performance as shown in Table 4.14.

Table 4. 14: Regression Prediction Model   Summary for MSEs Performance and Social

Institutions

Model coefficient		Unstandardized coefficients		Standardized Coefficients		T	Sig.
		B	Std Error	Beta			
(Constant)		1.744	.201			8.687	.000
The business receives a lot of support from family/kinship (X_1)		-.099	.053	-0.135		-1.88	.062
We are members of varied groups with strong bonding ties (X_2)		-.150	.068	0.163		2.19	.029
I am a member of a very strong livestock business association (X_3)		.187	.050	.277		3.73	.000
Model Summary	R		R^2		Adj. R	Std Error Est.	
	.357[a]		.127		.113	.75156	
Model ANOVA		Sum of Squares	Df	Mean Square	F	Sig.	
	Regression	14.850	3	4.950	8.764	.000[b]	
	Residual	101.670	180	0.565			
	Total	116.520	183				

Source: Field data (2015)

The findings in Table 4.14 indicate that being a member of varied groups with strong bonding ties(X_2) and same as a strong livestock business association(X_3)positively influenced livestock MSEs performance with a beta value of 0.163 and 0.277 respectively. However support received from family/kinship(X_1) negatively influenced livestock MSEs performance with a beta value of -0.135. These findings concur with Parker (1990) who argued that contextual social institutional variables have different moderating effects on firm performance since they can improve on the social networks.

The resulting model is expressed as:

MSEs Performance= 1.744 -0.135X_1 +0.163X_2 + 0.277X_3

This model has an r coefficient of 0.357 and an F value of 8.764 whose critical level is P<0.01. This means that the model could be used to predict livestock MSEs performance based on social institutions indicators. Hence social institutions have a moderately strong influence on MSEs performance. The model has an r^2 value of 11.3, meaning that 11.3 percent of changes in MSEs performance are accounted for by social institutional indicators with an estimated error of the estimate of 0.752.These findings are divergent from Menzel (1993) argument, that the role of social institutions in firm performance is ambiguous. Kirby (2003) and Parker (2004), provide a contrast dimension that the contradictions in association level are as a result of the multidimensional nature of firm performance.

4.3.3 Entrepreneurial Behaviour, Economic Institutions and Performance of MSEs.

Hypothesis H$_3$: Economic institutions moderate the relationship between entrepreneurial behaviour and performance of micro and small enterprises in the livestock sector in North Eastern Kenya.

For the purpose of establishing associations of the measures of economic institutions and performance of the MSEs studied, tests of correlations of extracted measures of economic institutions were carried out. The aim of tests of correlations was to identify relationships between factor extracted measures of economic institutions and performance of MSEs in the livestock sector. Once correlations between economic institutions and the performance of the SMEs were determined, such correlations were then used in the regression analyses that followed. Table 4.15 presents the results for the correlation analysis.

Table 4. 15: Correlation between Economic Institution and MSEs Performance

Study variables	Study elements	Correlation 'r'
Options for competition in these businesses are many	Market structure	0.361 [**]
It is easy to borrow money from my social friends	Market structure	-0.061
The products of different firms are also different	Gov't policy dimension	-0.120
There is much trust and honour among business community in this sector	Gov't policy dimension	0.341 [**]
I am a member of a very strong livestock business association(SACCOs)	Access to financial resources	0.142
[**] Correlation is significant at the 0.01 level (2-tailed) [*] Correlation is significant at the 0.05 level (2-tailed)		

Source: Field data (2015)

Table 4.15 shows the specific indicators of market structure, access to financial resources, government policy dimensions and membership in business associations were correlated with the composite index of MSEs performance. The findings reveal a significant positive correlation of r=0.361 between options for competition as a market structure variable, and Livestock MSEs performance. The correlation is also significant and positive r= 0.341 between ability of existence of trust and honour among the business community at P=0.01. The correlation between being a member of a strong business association r =0.142 and livestock MSEs performance. However the correlation was not significant. Ability to borrow money as a form of access to financial resources is negative and insignificantly correlated with MSEs performance r= -0.061.

The findings further, revealed that the correlation was negative r=-0.120 between differences of products in this sector as a market structure indicator and MSEs performance. The approach of stepwise regression analysis was used for the purpose of establishing whether economic institution moderated the relationship between

entreprenuerial behaviour and MSEs performance. The findings are presented in
Table 4.16.

**Table 4. 16: Regression Prediction Model Summary for MSEs Performance and
Economic Institutions**

Model Coefficient		Unstandardized coefficients		Standardized Coefficients		T	Sig.
		B	Std Error	Beta			
(Constant)		1.350	.255			5.286	.000
Options for competition in this sector are many (X_1)		.135	.089	.139		0.089	.130
It is easy to borrow money from my social friends (X_2)		-.046	.044	-0.072		.044	.300
The products of different firms are also different (X_3)		.310	.109	.272		.109	.005
There is trust and honour among business community in this sector (X_4)		-.064	.060	-0.077		.060	.286
I am a member of a very strong livestock business association (X_5)		.083	.054	.177		.054	.129
Model Summary	R		R^2		Adj. R^2	Std Error Est.	
	0.441[a]		.192		.172	.755	
Model ANOVA		Sum of Squares	Df	Mean Square	F	Sig.	
	Regression	24.252	6	4.850	8.50	.000[b]	
	Residual	100.394	178	0.570			
	Total	124.646	181				

Source: Field data, 2015   a. Dependent Variable: Composite Performance

The results in Table 4.16 indicate that, MSEs performance is positively influenced by
indicators of market structure(X_1), government policy dimensions(X_3), and business
associations(X_5). It is however influenced negatively by access to financial resources
(X_2) and market behavior (X_4). Although the results of the correlations concur with
Parker (2003) who argued that contextual economic institution variables have
different moderating effects on firm performance it was felt necessary to test further
H_3 using the direct measures for the dimensions of economic institutions. The
resulting model is expressed as follows:

MSE Performance= 1.350 +0.139X_1- 0.072X_2 + 0.272X_3 -0.272X_4 +0.117X_5

This model has an r coefficient of 0.441 and an F value of 8.503 whose critical level is P<0.01. This means that the model could be used to predict livestock MSEs performance based on economic institutions dimensions. Hence economic institutions have a moderately strong influence on MSEs performance. The model has an r^2 value of 17.2, meaning that 17.2 percent of changes in MSEs performance are accounted for by economic institution indicators with an estimated error of the estimate of 0.755 and therefore fails to reject hypothesis H_3.

4.3.4 Combined Influence (Effects) of Entrepreneurial Behaviour, Social and Economic Institution on the Performance of MSEs.

Hypothesis 4: The combined influence of entrepreneurial behaviour, social and economic institutions on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya is greater than the effects of each variable.

Combinations of statistical tests were used to test this hypothesis. This was necessary because any one single lens approach was deemed to be inadequate to provide the needed robust explanation and interpretation derived from the results of this hypothesis, H_4. In this regard, testing moderation was done using linear regression analysis and ANOVA. The effect of entrepreneurial behaviour, on the performance of the micro and small enterprises with social and economic institutions as moderating variables was formulated as follows:

$Y = MSEP = \alpha + \beta_1 EB + \beta_2 SI + \beta_3 E1 + \gamma$

It has also been hypothesized that the effect of entrepreneur behavior on MSEs performance depends on the moderating variables. This has been modeled as:

$\beta_1 = \gamma_0 + \gamma_1 (SI)$…………..(i)

$\beta_1 = \gamma_0 + \gamma_1 (EI)\ldots\ldots\ldots(ii)$

Adding the second equation i and ii into the first model leads to the following model

$MSEP = \alpha + \gamma_0 (EB) + \gamma_1 (EB * SI)$ and $MSEP = \alpha + \gamma_0 (EB) + \gamma_1 (EB * EI)$

Although this model allows the test of moderation, the following was superior.

$MSEP = \alpha + \gamma_0 (EB) + \gamma_1 (EB * SI) + \gamma_2 SI$ and,

$MSEP = \alpha + \gamma_0 (EB) + \gamma_1 (EB * EI) + \gamma_2 EI$

The findings of testing moderation using regression analysis are presented in Table 4.17

Table 4. 17: Testing Moderation Interaction Effects

Model coefficient			Unstandardized coefficients		Standardized Coefficients		t	Sig.
			B	Std Error	Beta			
(Constant)	Model 1		1.003	.317				
Entrepreneur behaviour			.799	.350	.482		2.280	.024
EB * SI			-.262	.338	-.163		-.773	.440
SI			-.543	.115	-.387		-.1.15	.044
(Constant)	Model 2		.750	.320				
Entrepreneur behavior			.715	.343	.431		2.08	.039
EB * EI			-1.097	.422	-.685		-2.598	.010
EI			.956	.301	.610		3.176	.002

Source: Field data (2015)

Table 4.17 shows the resulting moderation effect equations are as follows:

$MSEP = 1.003 + 0.482(EB) - 0.387(SI) - 0.163(EB * SI)$ and,

$MSEP = 0.750 + 0.431(EB) + 0.610(EI) + 0.685(EB * EI)$

The results reveal that entrepreneur behaviour has a positive effect on MSEs performance and that this effect is moderated by social and economic institutional variables.

In the absence of social institutional variable (SI=0), the marginal effect of entrepreneur behaviour on MSEs performance was 0.482 and where social institutional variables exist (EB * SI≠0) the marginal effect is 0.163. Similarly, in the absence of economic institutional variables (EI=0), the marginal effect is 0.431 and where economic institutional variables exist (EB * EI ≠0) the marginal effect is 0.685.

These findings are divergent from Lumpkin and Dess (2003) who found no interaction effect and Covin et al. (2004) who uncovered no significant relationship. Furthermore, these findings are in congruent with Wiklund and Shepherd (2003) conclusions that socio and economic institutional variables moderate the relationship between entrepreneur behavior and firm performance. Additionally, this study findings concur with Khayesi (2010) study on double edged sword of socio capital for the marginal decrease of the effects social institutional variables on MSEs performance.

4.4 Two-Way ANOVA

Two- way ANOVA enables us to examine the main effects, that is the effects of the independent variables (entrepreneur behavior, social and economic institutions) on the dependent variable(MSEs Performance) but also the interaction effects that exists between the independent variables. The interaction effects of all the three predictors on MSEs performance are summarized in Table 4.18.

Table 4. 18: Two Way ANOVA Interaction Analysis

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Model 1EB * SI					
Intercept	574.609	1	574.609	4472.996	.000
Entrepreneurial Behaviour (EB)	17.760	40	.444	3.456	.000
Social Institutions (SI)	8.936	22	.406	3.162	.000
EB * SI	15.598	52	.300	2.335	.001
Error	8.222	64	.128		
Total	1229.924	188			
a. R Squared = .887 (Adjusted R Squared = .670)					
Model 2EB * EI					
Intercept	651.630	1	651.630	3654.190	.000
Entrepreneurial Behaviour	15.546	35	.444	2.491	.001
Economic Institutions (EI)	15.255	41	.372	2.086	.004
EB * EI	7.454	35	.213	1.194	.267
Error	11.056	62	.178		
Total	1229.924	188			
a. R Squared = .848 (Adjusted R Squared = .542)					
Model 3EB * SI_EI					
Intercept	819.752	1	819.752	9976.947	.000
EB	2.701	18	.150	1.826	.055
SI_EI	28.711	88	.326	3.971	.000
EB * SI_EI	1.395	9	.155	1.886	.082
Error	3.369	41	.082		
Total	1229.924	188			
a. R Squared = .954 (Adjusted R Squared = .789) Dependent Variable: Performance					

Source: Field data (2015)

Table 4.18 shows, as hypothesized in H_4, the combined effect of entrepreneurial behaviour, social and economic institutions on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya is greater than the effects of the individual study variables. In this thesis it was found that the combined effect of the three predictor variables on MSEs performance was greater than that of individual predictors.

The interaction effect between entrepreneur behavior and social institutions was statistically significant (F=2.335; P<0.01;r^2= 0.670). Similarly, the interaction effects between entrepreneur behavior and economic institutions was statistically significant (F=1.194; P<0.01; r^2= 0.542).The interaction effect between entrepreneur behavior, social and economic institutions was statistically significant (F= 1.886; P<0.01, r^2= 0.789).

4.5 Chapter Four Summary

In summary, this section of the study of the correlations and regressions analysis on the interpretation on the relationship between entrepreneur behavior and MSEs performance has been discussed. It was found that five elements of entrepreneurial behaviour moderately influenced MSEs performance. With respect to moderating roles, this section has shown that indeed social and economic institutions moderated the relationship between entrepreneurial behaviour and the performance of micro and small enterprises in the livestock sector in North Eastern Kenya. Thus, this section has shown that the moderating roles of social (adj.R^2= 67%) and economic institutions (adj.R^2= 54.7%) on the relationship between entrepreneurial behaviour and MSEs performance were positive and statistically significant. This section, has further demonstrated that the combined effects of the three predictor variables on the performance of MSEs was greater compared to their individual effects as supported through ANOVA analysis, Table 5.19 with a combined effect (R^2=95.4%, adj.R^2= 78.9%).The next chapter five presents a discussion of the results.

CHAPTER FIVE

DISCUSSION OF RESULTS

5.1 Introduction

This chapter presents the discussion of the results of the findings of the study. It explains the discussion covering the relationship between entrepreneurial behavior, and the performance of MSEs in the Livestock sector in North Eastern Kenya. The chapter also describes the results regarding the moderating roles of social and economic institutions on the relationship between entrepreneurial behavior and performance of the MSEs studied. The chapter finally discusses the hypothesized relationship of all the three predictor variables in relation to the literature reviewed, theories anchored in the study and the individual effect of each variable on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya.

5.2 Results of the Study

The main objective of this study was to determine the effects of entrepreneurial behavior on the performance of the MSEs studied and the roles of social and economic institutions on the relationship between entrepreneurial behavior and MSEs performance, Figure 3.1. The objective was accomplished by testing four hypotheses on 191 micro and small enterprises operating in the livestock sector in North Eastern Kenya namely, Garissa, Wajir and Mandera. The tests were done using descriptive statistics, correlations and multiple regressions analysis. The discussion of the results and how the findings relate to existing theories of entrepreneurship and from empirical studies follow.

5.2.1 Entrepreneurial behaviour and MSEs performance

The first objective was to establish the relationship between entrepreneurial behaviour and micro and small enterprises performance. Entrepreneurial behavior comprised of specific measures of motivation (achievement need), legitimacy seeking behavior, risk taking, effectuation (locus of control), and tolerance of ambiguity. SMEs performance measures comprised of performance in terms of profits, growth in livestock numbers traded in the past five years, the ratio of profits to sales, and the satisfaction levels of the owners and customers. A composite performance index was developed and respondents were asked to indicate on a 5-point Likert scale the extent to which they agree to the entrepreneurial specific measures and composite performance index. It was hypothesized that entrepreneurial behaviour has significant influence on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya.

H1: Entrepreneurial behaviour has significant influence on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya.

Before testing the hypothesis, factor analysis was done which extracted six entrepreneurial behavior specific variables with higher factor loadings within the underlying dimensions, Table 5.7. This was followed by correlation analysis to determine the strength, direction and significance of the specific variables for the underlying dimensions with the performance of the MSEs. The results of the correlations indicated that there is a moderate positive correlation between entrepreneur aspects of tolerance for ambiguity, legitimacy seeking behavior, risk taking, and locus of control as well motivation (achievement need), Table 5.11.

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A composite index of MSEs performance was computed and regressed on specific extracted variables of entrepreneurial behavior as predictor variables. The study established that MSEs performance was predictable by entrepreneurial behavior with prediction model having an r coefficient of 0.378. Hence, entrepreneur behavior was found to positively influence on MSEs performance as indicated by the correlations. The prediction was found to moderately influencing MSEs performance since entrepreneur behavior accounted for 11.4 percent of change in livestock MSEs Performance.

The results of this study provide a strong empirical support for the existence of a positive relationship between entrepreneur behavior and performance of MSEs in the livestock sector in North Eastern Kenya. At a general level these findings are consistent with findings obtained in studies of entrepreneur behavior and performance of MSEs conducted in other geographical settings (Fisher, 2012; Kirby, 2003; Colvin & Slevin, 1991).

The relationship between entrepreneur behavior and the performance of MSEs however, did not hold a cross all the dimensions of entrepreneur behavior (Motivation-achievement, legitimacy seeking behavior, risk taking, locus of control, tolerance of ambiguity, social trusted networks, seeking skills, monitoring customer needs, acquiring transport, employing skilled workers) as determinants of performance. While a moderately strong relationship was found between both motivation-achievements, legitimacy seeking behavior, risk taking, locus of control, tolerance of ambiguity, opportunity identification and resource accumulation efforts, other dimensions indicate weak positive relationship with performance of MSEs.

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However, the relationships are not statistically significant. The findings of this study concur with Covin and Slevin (1991), who found out that risk taking, innovation and proactiveness dimensions of entrepreneur behavior were, positively related to performance although the focus was on large firms. Some studies such as Box et al., (1994) found out that performance of MSEs was more related to motivation, competitive aggressiveness, autonomy, social network and resource leveraging behavior than risk taking and innovation.

While past studies (Colvin & Slevin, 1990; Schafer, 1990) found that entrepreneur behaviour (motivation, commitment, achievement need, opportunity identification, environment scanning and championing behaviors) is directly related to firm performance, others (Lumpkin & Dess, 2001; Covin et al; 1994) have reached on inconsistent findings. The findings of this study is divergent from Covin et al., (1994), who found out no significant relationships between entrepreneur behavior and firm performance, but concurs with Wiklund and Shepherd (2003) findings that entrepreneur behavior is strongly and positively associated with firm performance. This study advances the literature by suggesting that dimensions of entrepreneur behavior that affect performance of MSEs should not be limited to the dimensions of past studies (Covin and Slevin, 1991; Box et al., 1994) but on an entire bundle of entrepreneur behavior dimensions, contexts (rural) and firm sizes.

5.2.2 Entrepreneurial behaviour, social institutions and performance of MSEs

Second objective was to determine the moderating effect of social institutions on the relationship between entrepreneurial behaviour and MSEs performance. Social institutional dimensions moderating the relationship between entrepreneurial behavior

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and MSEs performance comprised of kinship/ family, co-ethnic networks, membership in social associations, existence of business rules, level of trust, strong bonding groups and social capital seeking behavior. It was hypothesized that social institutions moderate the relationship between entrepreneurial behaviour and the performance of the micro and small enterprises in livestock sector in North Eastern Kenya.

H$_2$: Social institutions moderate the relationship between entrepreneurial behaviour and the performance of the micro and small enterprises in livestock sector in North Eastern Kenya.

A correlation analysis was conducted to determine the strength of the of the extracted specific social institutional variables within the underlying dimensions and found significant positive correlation with dimensions of membership in a social business association and being in a member of a varied groups with strong bonding ties. The findings further indicated that family/ kinship support correlated negatively with livestock MSEs Performance.

The study further carried out a regression analysis to determine the magnitude of the moderating relationship of social institutions and MSEs performance using the composite index. The study established a positive prediction model with an r coefficient of 0.357. The model had an r^2 value of 11.3, meaning that 11.3 percent of changes in MSEs performance are accounted for by social institution indicators. The interaction effect of entrepreneur behavior and social institutions (EB * SI) was significant(F= 0.2.335; P<0.01). The analysis of variance model had an adjusted r^{2}value of 0.670, implying that 67 percent of moderating effects between

entreprenuer behavior and MSEs performance was accounted for by social institutional variables. The study found out that social institutions moderated the relationship between entrepreneur behavior and performance of MSEs in the livestock sector in North Eastern Kenya.

The finding of the study are consistent with those of earlier studies (Fisher, 2012; Covin & Slevin, 1991; Delmar, 1996) who have argued of the moderating roles of social institutions on the relationship between entrepreneur behavior and firm performance. While past studies (Rwigema, 2011; Stokes & Wilson, 2006; Covin & Slevin, 1991) demonstrate little consensus and are non-specific about precisely which institutions are important for entrepreneurship, this study found out that, social capital seeking behaviors, members of strong bonding groups or association positively and strongly moderate on relationship between entrepreneur behavior and performance of MSEs, whereas family/kinship support was negatively correlated. These findings concur with Parker (1990) who argued that contextual social institution variables have different moderating effects on firm performance.

The findings of this study are divergent from Menzel's (1993) argument, that the role of social institutions in firm performance is ambiguous. Whereas Kirby (2003) provides a contrast dimension that the contradiction in association is as a result of the multidimensional nature of firm performance, the findings of this study concur with Parker (1990) who argued that in a general way, social institutions influence firm performance. This study found out that contextual social institutional variables (Co-ethnic social groups, family kinship support, social capital seeking behavior and members of a strong bonding group) have positive, though not very strong moderating

influence on the performance of MSEs. Thus this study advances literature by suggesting that MSEs should consider the contextually different social institutional variables on firm performance. This study recommends that future studies should be conducted based on collecting separate data for different social institution variables, despite the challenges so as to effectively determine which of the social institutions have strong, weak or no influence on firm performance.

5.2.3 Entrepreneurial Behaviour, Economic Institution and Performance of MSEs

Third objective was to establish the moderating role of economic institutional activities on the relationship between entrepreneurial behaviour and MSEs performance. This study identified economic institutions dimensions to include: Government policy dimensions, market structure, opportunity and training, ease of transport, access to financial resources, membership in business associations (Saccos), and education and innovation systems.

H$_3$: Economic institutions moderate the relationship between entrepreneurial behaviour and the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya.

A correlation analysis was conducted on the extracted relevant variables within the study dimensions of social institutions and the composite MSEs performance index. This study found that MSEs performance was positively correlated by the nature of market structure, government policy dimensions, business associations and access to financial resources. MSEs performance was however correlated negatively by a web of trading compliances including numerous licenses/ permits issued by national and county governments.

The study further carried out a regression analysis to determine the magnitude of the moderating relationship of economic institutions and MSEs performance using the MSEs performance composite index as the dependent variable. The study established a positive prediction model with a moderate positive r coefficient of 0.441. The model had an r^2 value of 17.2, meaning that 17.2 percent of changes in MSEs performance were accounted for by economic institution variables. The interaction effect of entrepreneur behavior and economic institutions (EB * EI) was significant (F=1.194; P<0.01). The analysis of variance model had an adjusted r^2 value of 0.547, implying that 54.7 percent of moderating effects between entrepreneur behavior and MSEs performance was accounted for by economic institutional variables.

Economic institutions used in this study are the 'rules of the game' which include: government business regulations (North, 1990), industry business associations, trust networks, labour markets, education and innovation systems (McCormick & Kimuyu, 2007). This study found out that economic institutions (government business regulations, industry business associations, trust, labour markets and innovation systems) had a moderate effect on the relationship between entrepreneur behavior and firm performance. While the results of past studies are inconclusive on whether a favourable economic environment supports motivations for entrepreneurship and performance of MSEs (Covin & Slevin, 1999), the findings of this study provides rather a different contrast view; that favourable economic institutions have moderating effect on the relationship between entrepreneur behavior and performance of MSEs.

Rwigema (2011) identifies macroeconomic policy, MSMEs policy, taxation policy, land policy, public procurement policy, competition policy and country (state) laws as the government economic institution regulative moderating dimensions. This study found that in addition to these, specific regulative pillars namely county license and permit fees, veterinary services, security, water, holding grounds and market information collectively had a profound influence on performance of livestock MSEs in North Eastern Kenya.

A survey done by Geopoll, the Global Entrepreneurship Network (GEN) in collaboration with the US State department on 1,000 MSEs owners across sub-Saharan Africa on the barriers faced entrepreneurs in their countries found that lack of funding, absence of government support and lack of entrepreneurs training as the most cited constraints to MSEs performance. This Geopoll survey which was conducted via Short Messaging Service (SMS) during the month of July (Standard daily Newspaper, July 25, 2015 P.50) found that 36% of the respondents cited financial resources, 24% cited better facilities and 23% cited government support as the most important economic institutions to help increase the number of entrepreneurs in their countries and improve firm performance. The findings of this study are generally in congruent with the Geopoll survey findings.

This study established a model of relationship between economic institutions and firm performance and found a fairy good explanatory power(R^2=0.17) presenting a divergent findings, from Olper (2001) who argued that although economic institutions matter, the relationship between entrepreneur behavior and business performance is non-linear and non-monotonic. Thus, this study concurs with Kirby (2003) argument

that, whereas an entrepreneur can display a high degree of entrepreneur behavior, a firm can perform poorly because of effects of economic institutions and thus this study advances the literature by suggesting that MSEs firms and policy makers should consider the contextually different economic institution variables on performance of MSEs.

5.2.4 Combined Effects of Entrepreneurial Behaviour, Social and Economic Institutions on the Performance of the Micro and Small Enterprises in the Livestock Sector.

The fourth objective was to establish the combined effects of entrepreneurial behaviour, social and economic institutions on performance firm of micro and small livestock enterprises. This study argued that no one single lens approach was deemed to be adequate to provide the needed robust explanation and interpretation derived from the results of this hypothesis, H_4.

H_4: The combined effect of entrepreneurial behaviour, social and economic institutions on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya is greater than the effects of the individual study variables.

This study identified entrepreneurial behavior as the predictor variable, MSE performance as the dependent variable and social and economic institutions as the moderating variables. Moderation effects were tested using linear regression and ANOVA. The study found that in the absence of social institutional variables(SI=0), the marginal effect of entrepreneur behaviour on MSEs performance was 0.482. However, if entrepreneurs benefit from the presence of social institutions (EB $*$ SI$\neq$1), the marginal effect on MSEs performance is 0.163. Similarly, in the absence of economic institutional variables (EI=0) the marginal effect of entrepreneur behaviour

on MSEs performance was 0.431.However, if entrepreneurs benefit from the presence of economic institutions (EB * EI≠1), the marginal effect on MSEs performance is 0.685. Both socio and economic institutional variables had positive moderating effect. This study used analysis of variance on the interaction effect of entrepreneur behavior, social and economic institutions on performance (EB * SI_EI) was significant (F= 1.886; P<0.01). The analysis of variance model had an adjusted r^2 value of 0.789, implying that 78.9 percent of moderating effects of social and economic institutions between entrepreneur behavior and MSEs performance was accounted for by social and economic institutional variables.

This finding are consistent with Fisher (2012) argument on effectuation and causation models of entrepreneurship based on the principles of experimentation, affordable loss than expected returns, a bird in hand is worth two or more in the bush and risk little fail cheap. As hypothesized and found out in $H_{4;}$ the combined effect of entrepreneurial behaviour, social and economic institutions on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya is greater than the effects of the individual study variables. These findings are divergent from Lumpkin and Dess (2003) who found no interaction effect and Covin et al. (2004) who uncovered no significant relationship. Furthermore, these findings are in congruent with Wiklund and Shepherd (2003) conclusions that socio and economic institutional variables have both a direct and moderate the relationship between entrepreneur behavior and firm performance.

5.3 Challenges facing MSEs in the Livestock Sector

As Table 6.1 show, when, during survey study, MSEs owners were asked to list the constraints to livestock trade, in order of importance, inadequate capital was listed as the most limiting constraints by 92% of the 191 MSEs respondents. The second most limiting factor was lack of training for entrepreneurs, 90% third was limited language, and business skills, 89% and the fourth limiting factors was lack of mentorship and role models in the sector, 85%. As Table 5.5 show, this study revealed that as much as 90.4 percent of the traders said that they were using their own funds and 58.1 percent were not in partnership with others as was not expected. It was expected that those not in partnership to be much greater. The hope of gaining more financial and human capital as well as accessing more resource social networks were mentioned by the MSEs owners and partly seemed to explain the high levels of partnerships encountered.

Given the constraints to MSEs in the livestock sector listed by the owners of the MSEs, it appears that the emerged existence of market association is mainly response to market failures that the national and county governments have not been able to respond to and which tend to increase the cost of transacting business. In the case of MSEs in the livestock sector in North Eastern Kenya and other regions, such as those in Rift Valley, state intervention may be needed to promote the livestock sector and protect both the livestock producers / owners, entrepreneurs and the consumers from exploitation and business failures. The challenges facing the MSEs studied are summarized in Table 5.1 by study variables.

Table 5.1Summarised Distribution of Challenges facing MSEs by Study Variables

Study variables Theme	Challenges	Percentage response N=191
Entrepreneurial behaviour	• Lack of training for traders in different aged of livestock marketing	90
	• Limited language and business skills	89
	• Lack of mentor and role models in the sector	85
	• Lack of incentives to promote livestock business and make it attractive for young educated people	80
	• High level of illiteracy among livestock market operates	78
Social institutions	• Inadequate social networks	64
	• Insufficient trading, SACCO groups	62
	• Inadequate linkages with large firms	58
	• Inadequate connections with more resourced individuals and associations	50
Economic institutions	• Inadequate capital and difficult to access credit	92
	• Insufficient support from county governments	82
	• Insufficient support from livestock traders association or Kenya Agricultural finance cooperation (AFC)	76
	• Limited external markets outlets in other countries,	68
	• Lack of holding grounds, watering and feeding points for livestock	65
	• Lack of security – risk of losing animals or money	62
	• Shortage of good trucks to transport animals to terminal markets such as to Nairobi	60
	• Too many formalities, fees and taxes, legal and not legal paid during trips.	59
	• Poor state of roads, excessive road blocks and inadequate flow of livestock market information on demand and prices	57

Source: Field Data, 2015

5.4 Chapter Five Summary

This chapter has presented discussion of the results of the study. The study found that entrepreneurial behaviour influences MSE performance and social and economic institutions indeed moderate the relationship entrepreneurial behaviour and the performance of MSEs. The findings of this study contributes to knowledge on institutional and resource based theories by: providing better explanations of the link between entrepreneurial behavior and firm performance.

Secondly, by incorporating social and economic institutions, the study provides stronger explanations of variance in entrepreneurial behaviour, and firm performance in resource scarce/setting Kenyan context. Thirdly, the study provides more empirical support of established relationships in the literature and provides more explanations of 'to do with what one has' in terms of bricolage and effectuation. MSEs Entrepreneurs in the livestock will have a better understanding of how their entrepreneur behavior in the context of social economic institutions affect performance and growth of their of MSEs. Further, National and County Governments will use this framework to promote a favorable institutional climate to livestock sector MSEs growth and performance.

CHAPTER SIX

PERFORMANCE PATTERNS OF CASE STUDY FIRMS

6.1 Introduction

This chapter presents detailed analyses of the performance patterns of the firms in the case studies. These firms are equally distributed among the three counties of Garissa, Wajir and Mandera, two MSEs selected from each using self-selection sampling method. The seventh case is that of a medium size firm to which a number of micro and small firms are associated with. In this approach in each county, the researcher asked for two MSEs owners to identify their approval to cooperate and take part in case study of their firms. In her study Orero (2008), picked through self-selection method four informal Kenya-Tanzania cross-border traders as her case studies for her thesis. In his study too, Maalu (2010) picked through similar process six small and medium sized firms as his case study for his thesis. This study has so far suggested that successful firm performance is defined in terms of profitability, growth and age. This chapter examines empirically therefore success performance patterns of the seven firms in the case studies and presents a case for operationalizing firm performances as growth, profitability and age-survivability.

The primary aim of this chapter is to establish empirical evidence for the theoretical conceptual framework put forward in chapter three which sought to explain the performance of the MSEs in the livestock sector in North Eastern Kenya. The four hypothesis which this thesis raised have to be addressed with the help of the question as to whether the conceptual framework is generally in agreement with the empirical evidence of firm performance it endeavors to understand, explain and predict.

Seven cases of the micro, small and medium enterprises in the livestock are presented. Two cases from each county, two cases from Garissa County deal in cattle, while one from Garissa also deals in cattle, goats and sheep. Two from Wajir deal in camels, and two from Mandera County deal in goats and sheep.

6.2 Firm Performance Patterns

The aim of entrepreneurs is to be successful. Entrepreneurs and small business owners encounter daily challenges, succession of potholes, speed bumps and dead-end rather than a high road to financial and business prosperity (Kirby, 2003). The possibility of success against all odds drives on entrepreneurs and success is the measure of their achievement. Firm success is, however, a difficult concept to define, as it is multifaceted (Murphy, 2004). Both MSEs and individuals enjoy success. A firm's performance success is a means to the end of owner manager's personal success. The firm creates the resources which owner managers can use to improve their lives. Success may be measured by hard and fast numbers but also by 'soft' qualitative criteria (Stokes & Wilson, 2006). According to Wickham (2006) entrepreneurs recognise success when they compare the actual outcomes of their firms with their prior optimistic expectations. Success, at a minimum is attained when business outcomes meet expectations. However, success is guaranteed if and when expectations are exceeded. In this thesis, the construct of 'success performance patterns' implies that MSEs on average perform well relative to the expectations of their owners have regular ways in which their owners behave and manage their small livestock businesses. These regular, fixed entrepreneurial ways of behaving and doing business is what is meant here by success patterns.

Success, for some MSE owners may be measured in their capacity to sustain a lifestyle founded on economic and social independence based on self-reliance. For others, success would be measured by profit and business growth. In the literature and empirically, profitability, growth and survivability are regarded as the key issues of micro and small enterprises (Stokes & Wilson, 2006; Wickham, 2006). Murphy (2002:22) argues that whereas for micro businesses financial capital was the major barrier to growth, for small businesses it was compliance with legislations, regulations and institutional requirements which presented the greatest difficulties. However, opposite of firm success is not firm failure. A sense of failure will ensure when firms perform below expectations of their owners. Failure implies absence of success. It is a matter of degree and may mean different things to different entrepreneurs and small business owners. Two of the common definitions of business failures cited are: a business firm has failed when it is disposed of, or sold, or liquidated with losses to avoid further losses'. Business failure is a state of a firm when it is unable to meet its financial obligations to its creditors in full. It is deemed to be legally bankrupt and is usually forced into insolvency liquidation (Murphy, 2004).

The success performance patterns of these firms in the study cases were measured by growth (G), age of the firm that is a firm's durability (A), profitability (R) and level of satisfaction of owner managers (S) (GAPS). Profitability is a direct financial measure of business performance. It's a measure of the viability of the firm as a going concern indefinitely into the future. Any business must earn profit in the long run or it should close down. Profitability is defined as the total revenue of the business in a given period less the total costs which has to be positive (Stokes & Wilson, 2006).

According to McCormick (1988:206) definition of success includes economic boundaries of survival, capital accumulation and profitability. This is in congruence with the two dimension of firm performance: growth and profitability. The age or durability of a business firm suggest performance because the empirical literature on MSEs show that fifty percent of start-ups fail within the first three years and that only ten percent make to their tenth year anniversary (Stokes & Wilson, 2006). Therefore age of a firm is a proxy indicator of its performance. It is for this reason that this thesis has made the age of the firm one of the criteria for selecting the firms in the case study. All the firms selected for the case studies were in business for a period of six years or more. Determining the element of growth was not complicated because the respondents indicated both the start-up capital for their firms and the current balance sheet value of their livestock.

6.3 Analyses of Individual Study Cases

These cases consist of seven case studies. Three cases are from Garissa County, two cases are each from Wajir and Mandera, counties. All the three cases from Garissa county deal in cattle trade and one of these three also deal in goats and sheep. Whereas those MSEs in Wajir deal in camels, those located in Mandera deal in goats and sheep. These cases have been developed as evidence to support the conceptual framework of the thesis and the four propositions set out in chapter one, subsection 1.3. The cases complements and enhances the literature review and the field data by focusing attention on what these seven firms have done in actual business situations in the region.

Case 1 Towfiq Livestock Traders – Garissa County

Towfiq livestock traders was founded fourteen years ago, as a family business in Garissa County in 2000 by the present chief executive officer, Mr. Ahmed Hassan Abdullahi and his three relatives. When they started their business, Mr. Abdullahi was 34 years old. His other three relatives are about the same age. Today all of them are below 56 years of age. They are all married and each of them has an average of six children. When they started their livestock business, they contributed Kshs 60,000 each, making a startup capital of Ksh 240,000/=. They started buying and selling goals and sheep in Garissa County.

The owners of Towfiq conceived their livestock business initially as necessity entrepreneurial effort where they would buy goats and sheep at discount prices from livestock owners in the outlying districts in the county and bring them to the livestock market in Garissa. In Garissa town, the owners of Towfiq were able to negotiate with a few farmers along River Tana, for some holding grounds to keep their livestock, especially goats, sheep and some cattle while waiting for the market days or until the demand and thus prices of their animals improved. At the temporary holding grounds, the animals would be fed, watered, provided with some salt lick and those sick attended to. This approach gave Towfiq livestock traders an early head start competitive advantage as early as in 2008 in Garissa County.

Towfiq's Trading Growth Strategies

Unlike many others competing MSEs in the livestock sector, which remained informal the management of Towfiq Livestock traders formalized their business in January 2001. The firm opened two bank accounts with the local banks, obtained

trading licenses including for livestock exports to the countries in the Middle East, Gulf region and registered with the Kenya Revenue Authority (KRA) for the purpose of tax compliance. When livestock trading enterprises grow, the owners call them *Shirkad*. In 2001, Towfiq became a *Shirkad*, meaning a registered partnership. In due course, the members of Garissa County Livestock Marketing Council elected the chief executive officer, Mr. Ahmed Hassan Abdullahi as their chairman from 2008 for two terms of four years each, ending on November, 2016. In 2009 Towfiq Livestock Traders partnered with another livestock Trading company named Horset livestock Breeders and leased large tracks of land in Voi-sub County district in the coastal region of Kenya at Ksh one million, two hundred thousand annually. The rent of the farmland covered livestock grazing, water services, veterinary and security services. The Horset livestock Breeders was also associated with a large livestock trading company owned by a group forming a society led by a person called Mr. Mohamed Ismail. The society is called Milkways Livestock Traders Mr. Ismail's Milkways society has a large ranch in Voi Area sub-county and his firm is one of the few large livestock trading companies in Kenya.   This is was a strategic expansion decision. The Towfiq livestock traders also introduced some exotic breed of horses for high market end customers. The Towfiq firm quickly grew so much so that by the year 2008, it became a big player in the Garissa's weekly livestock market.

Entrepreneurial Behaviour and Management Function

In micro and small businesses, at the firm's level and the individual behaviour as well as the management functions are synonymous. Mr. Ahmed Hassan Abdullahi and his younger brother Mr. Farah Hasan Abdullahi said that they always behaved, acted and dreamed as livestock entrepreneurs. In terms of literacy, Mr. Ahmed Hassan

Abdullahi attained only four years of primary level schooling and his young brother, Farah, seven years of primary level schooling and still failed to appear for the Kenya Certificate of primary education KCPE in 1988.

He was then eighteen years old, appeared bigger for his age, and felt uncomfortable sitting in the same class with very young pupils who teased him now and then. When the exam was about to come, he decided to abandon, it fearing the anguish of exam failure. Entrepreneurial behaviours in this case studies are about the demonstration of actions of the owners of the micro and small enterprises which can be labelled as proactive, risk-taking, motivated, aggressive, hard-working, trust-worthy and possessing high level of self efficacy, internal locus of control.

Mr. Ahmed Hassan Abdullahi and his brother, Farah, report that since 2004/2006 when their company, Towfiq livestock Traders, became well established in Garissa county and started buying and selling not only goats and sheep, but cattle and linking with the markets in Nairobi and Mombasa, have always worked between sixty to ninety hours per week, more than ten hours per day. They wake up early in search of livestock, customers, transporters, connections and markets. They regularly travelled to Wajir, Nairobi, Mombasa and even Narok, Kajiado and Isiolo looking for goats, sheep, and cattle to buy and sell at discount, competitive prices. They do not have leave days or off days. They work 365 days, all year round. Despite his limited formal educational level, Mr. Ahmed Abdullahi every year since 2004 has attended at least two conventions on livestock trade under the auspices of Kenya pastoralists Forum.

Towfiq Livestock Traders became a growth oriented business around 2007 with the realization that the livestock owners and market represented a separate and distinct market. Separate because of the isolation of the livestock owners which made common existing channels of distribution virtually inaccessible to them. Distinct because of the special, specific needs of animals which were different from those of other traders.

The distribution chains of the livestock from the source, primary, intermediate to the final markets involved heavy costs and challenges. The firm Towfiq livestock Traders responded to these challenges in a proactive competitive manner. The management of Towfiq Livestock Traders defined the purpose of their firm as to create a happy customer – both buyer and sellers of their animals. Abdullahi said he learnt this important aspect of looking at his business from the management of Horset Livestock Breeders to whom they are associated. The management of Horset always argued that "it is the buyers and sellers of our animals, the customers who determine our business success. Customers are the oxygen, of a business and keep it a life. They alone give employment. Profitability only validates this fact. Our business is not trial and error. It cannot be hit or miss activity."

The management structure of Towfiq livestock Traders Company is simple and hierarchical. The firm has its main office in Garissa County. Here all the four shareholders live with their families and run the firm. They also have a small office in, Eastleigh, Nairobi and another office in Voi where they share with Horset Livestock Breeders company. The management provides leadership, planning, organization, communication, coordination and control of activities. These are full

time functions and Mr. Ahmed Hassan Abdullahi, the Chief executive officer as chief manager "has proven capable person who is equal to the task", according to one of their employees who is based in Eastleigh office Nairobi. When asked what was his favourite past time, Abdullahi replied "my hobby is Towfiq livestock Traders. There is a lot of challenges and stress. But if what you love is also your work then none of these things apply."

Social, Human, Physical Capital

Social capital has been referred to as the relationship and networks from which the individual entrepreneurs are able to extract resources, trusts from their social structures, networks, families and membership. In the business operations of Towfiq livestock Traders, the social capital elements of trust, relationships, norms, membership of groups and co-ethnic networks were observed. Towfiq livestock traders is a member of the Garissa county livestock marketing council, Kenya Pastoralists Forum, Kenya Coast Livestock Ranch Association and Community Owned Financial Initiative (COFI), among others. These demonstrate that the firm understood well the benefits of social capital, social networks, co-ethnic associations and community norms to firm performance. Abdullahi summarized the benefits of social networks and being a contributing member of a reference peer group with the saying, "a missing idea is in the head of your brother – *caqli kaa magan walaaka buu kujiraa"*. This saying emphasizes the importance of sharing ideas, information and other resources among social networks. The three kinds of trust Towfiq Livestock Traders and their associates demonstrate are goodwill trust, contractual trust and competence trust. Contractual trust rests on a shared moral norm of honesty and promise keeping and exercising the principle of fairness.

Human and physical capital appears not to rank very highly in the scale of priorities of Towfiq Livestock Traders Company. The firm, besides the four owners, has 25 employees. Eleven of the employees are with the cattle in Voi, four with the goats and sheep and five with the animals at Garissa County consisting of 180 goats and sheep and 95 cattle. They also have one vehicle, a lorry and its driver at Voi. The firm also has four administrative staff.

Regarding human capital, the firm has 25 employees but not well trained or educated. Except the four administrative staff, all the rest have no meaningful formal educational level of attainment. Abdullahi and his brother, Farah, however, have gained over the year's wealth of valuable industry experience, what may be considered as declarative industry sector knowledge. As concerns physical capital, the firm has a lorry, a pick up and their Garissa office is in a rented premises. Most of other physical assets are hired on need basis.

Towfiq's Institutional and Competitive Environment

There is strong evidence that Towfiq Livestock Traders operate under social economic institutional, governmental regulations and business competitive environments. For instance ownership of large herds of cattle, goats, sheep or camels is an important determinant of social status and prestige. Religious occasions like during IDD celebrations at the end of the Holy month of Ramadhan create high demand for livestock in big towns and this affect prices. Livestock transfer, whether in the form of sale, social obligations including clan livestock restocking schemes, weddings, and settlement of disputes between and within clans in the region payments are often made with cattle.

Abdullahi points out that their firm and other traders in the livestock sector rarely receive support from both the national and county governments. The concept of devolutions and county governments are recent phenomena in Kenya. County governments came into being in March 2013, following the implementation of the 'New Constitution 2010' and the General Election of March 2013. Inspite of this, however, there was a local Government Authorities in the Country since 1963 which had some mandate still at the local levels.

As Peter Little (2003:39) points out "historically the Kenyan government has invested little in the livestock sector of northern eastern Kenya." It is in view of this background that Abdullahi notes that the basic infrastructure such as the livestock markets, grazing areas, watering points veterinary services, financial and marketing information services are all almost lacking and all these affect firm performance beside the competitive environment. At the time of this study visit in July – August 2014, there was general insecurity in all the three counties.

Challenges facing MSEs in the Sector

The micro and small enterprises in the livestock sector in North Eastern Kenya, Abdullahi said face many challenges. "The biggest challenge in the livestock trade is the market and knowing the price at any given moment. The market is controlled by association of butcheries" Abdullahi argues. Abdullahi and Farah encourages livestock farming, pointing out that with a rapidly growing urban population, there will always be a market for livestock products. However, the MSEs in the sector face some unique challenges. The common unique challenges which the traders in the livestock sector face include drought which affect supply and quality of the animals,

diseases which similarly affect quality of the animals and insecurity. The conflicts that has been going on between Kenya Defence Forces in Somalia, Al Shabaab threats and inter-clan suspicions have all created a climate of insecurity in the region from Mandera, Wajir to Garissa and negatively affected livestock supply movements and trade in general. Poor, or lack of infrastructure such as roads, watering points, grazing and holding areas for the animals, also contributes to MSEs in the sector not performing well. Further challenges facing the MSEs in the sector include what they perceive as lack of institutional support from both national and county governments.

Startup capital for new firms is not less Kshs 250,000/= unlike in the 2000s when even Kshs 30,000 was adequate. Therefore source of reliable and affordable capital is additional challenge. Transportation is a further challenge. Animals need to be trucked or trekked from Garissa to Nairobi or Mombasa. Both methods, trucking or trekking, have their own costs, risks, limitations which all do not support successful business.

Towfiq enterprises also face human and physical capital challenges. The educational level of the owners are not advanced and majority of the firm employees lack specific trainings, except four administrative staff who attained secondary level of education and received some additional professional training. The assets, the physical capital of the firm is equally under-capitalized. The firm has only two vehicles and uses one of the shareholder's residences as an office in Garissa County. Abdullahi argues that their firm, Towfiq has "grown, changed the way we look, feel, think and act". However, in the light of the business climate in the livestock sector that is in the state of flux with multiple players and challenges, the question is would the much the

firm did so far enough to control the challenges of the market place in the livestock sector in Kenya beyond 2014? Below is a brief financial performance of Towfiq Livestock Traders as provided by its chief executive Abdullahi. Interestingly their net profit margins are all except 2009/2010 below 10 percents of total annuals sales, demonstrating the competitive nature of the market. The financial performance also suggests the growth trajectory of the firm with 2009/2010 as the best year with 33% net worth growth. In that year the chief manager said, the firm borrowed Kshs 3 million interest free loans from friends that helped boost the profit margin.

Table 6. 1: Financial Performance Towfiq Livestock Traders 2008-2013

Year	Sales Shs (000)	Assets Shs (000)	Net income Shs (000)	Net worth Shs (000)	Percentage growth %
2008-2009	5,604	26,050	934	16,045-18,018	12+
2009-2010	6,230	29,188	1,056	18,018-24,023	33+
2010-2011	7,140	30,170	1,170	24,023-35,500	5+
2011-2012	7,830	32,155	1,132	35,500-38,900	10+
2012-2013	8,190	38,120	1,203	38,900-42,009	8+

Source: Towfiq Livestock Traders Records (2013)

Case 2 Barak Bulla Riig Women Livestock Traders – Garissa County

This firm, Baraka Bulla Riiga Women livestock Traders was founded by a group of five women in May 2007. The word Bulla' means a village. Thus Bulla Riig women refers to the women of the village called Riig. Baraka is a Swahili word meaning 'blessed'. The five women came together as women group and registered themselves with the District social officers office as business partners. The main idea of coming together and starting jointly this business as a women group belonged to the group leader named Nuria Jamaa. Nuria was 34 years of age when she encouraged her friends to come together and raise a startup capital of Kshs 100,000 each women

contributing Ksh 20,000. Nuria had more experience than her friends in business. She is married to a truck driver named Mr. Gulled Ali. Ali is employed and lives in Nairobi. Nuria had lived with her husband and three children in Nairobi for more than thirteen years. In 2007 she moved with her children to Garissa to live in their house. The children one boy and two girls were still in school when they lived in Nairobi, Nuria, a hardworking and ambitious person was running a clothing shop in Eastleigh. When she was in Garissa she invited her other four friends, informed them of her business idea and they at once accepted her idea of forming Baraka Bulla Riig women livestock traders.

The secretary to Baraka Bulla Riig women is a lady named Sofia Mohamed. Sofia is married to a secondary school teacher and has two children. She had been untrained nursery school teacher for three years. She was the most educated person in the group with a diploma in office management from a private college in Nairobi which she attended after completing her Kenya certificate of secondary education (KCSE) in 2001.

The group's treasurer is called Anab Birik. Anab left school on completion of her class eight Kenya certificates of primary of education in 1999. When she was sixteen years old her parents owned a hotel with a restaurant in Garissa town. She did not seek any higher education; instead she worked at her parent's restaurant as a cashier until she was married. Her husband works with an NGO as programmes officer. They have two children, two girls. When she was invited by her friends to become a partner and a cashier in Baraka Bulla Riig Women Group she was excited and she obtained full blessings from her family. Her husband encouraged her to "grow" their ideas and to courageously pursue their dreams.

Firms Trading Growth Strategies

When they started their business, the member of the women group decided as early as in 2007 to the start their livestock trading firm in a small way with their modest capital of Kshs 100,000. They decided to be buying ten goats per week twice within week, slaughter them, sell the meat in retail. In a week they were spending Ksh 60,000/= on the goats and another Sh 5,000/= on miscellaneous costs. However, they were making about 15 percent net profit per week coming to about Ksh 39,000 per month.

According to their treasurer, each of the members was allowed to withdraw Ksh 5,000/= per week as a profit sharing, totaling to Ksh 25,000/=. The group then started to diversify their business investing in Ksh 30,000/= as part of their startup capital in buying and selling fruits and vegetables next to their butchery. The task of running the fruits and vegetable shop was given to one of the partners, Hidigei. Their business grew progressively until August 2011 when Nuria asked her partners it was time "to think" and expand their business into cattle and chicken. However, the challenge was financial capital. In due course, the group members approached some local politicians and religious leaders and through their husbands and other networks organised a successful fundraising of Ksh 670,000/=. This became the "Seed capital that made the women group a thriving and flying high". The treasurer, Anab, a great believer in risk control said, "Livestock business is profitable and rewarding, but, still challenging with a rapidly growing population everywhere, there are always demand for livestock and chicken products. Always start small and grew gradually or else you will burn yourself down."

Entrepreneurial Behaviour and Management Function

The chairperson of the firm Nuria Jammah said that majority of men saw livestock trade as masculine activity "in our society. But our husbands and other family members support us a lot". The firm leased a small farm a long River Tana, near Garissa Town where during the dry seasons they kept for fattening the goats and sheep they have bought from many distressed pastoralists. During dry seasons goats and sheep can sell for as little as Sh 2,500/= but as soon the goats and sheep become fat and healthy their prices could double to over Sh 6,000 per livestock thereby enabling the firm to make over 100 percent profit per animal. The business employed seven workers. Two of them worked in a small office at the home of the secretary of the firm, Ms Sofia Mohamed.

The other five employees worked at different places, some with goats and sheep at the farm, others going to the market everyday scouting for opportunities and while still others helped with the miscellaneous tasks. When the researcher asked the firm owners these two questions, "Would you be willing to invest all your savings and risk losing all your investment, and if your business should fail, would you get to work immediately on another?" They responded to both questions with overwhelming confidence," yes, of course". When personal values, dreams and behaviour are combined and embodied in an institution they can facilitate entrepreneurship and "define a group whose social cohesion can be turned to economic advantage" (Marries & Somerset, 1971). When they, the five women owners of Baraka women livestock traders, were asked to describe the qualities of a successful businessperson, they stated, First thing is honesty-or trust".

They justified trustworthiness and honesty very pragmatically by their contribution to business performance. If you were honest and trustworthy, prices will be fair, partners and friends will provide credit facilities and one would attract all good things to the business including, customers, and contracts to supply to institutions. Trustworthiness is important to business persons because of their many interpersonal, institutional or organizations relationships, often untested, under conditions of uncertainty. The second thing is possessing a lot of energy, being highly active, "small businesses are not for the lazy" they emphasized. "We love what we are doing. We have no other alternative. Caring very deeply about what we are trying to accomplish through our small business is crucial". They argued that if you go into business with a take-it-or-leave-it, it-will succeeds or-it won't mentality you are likely to be wasting your time and money. A good businessperson was one who believed that he or she have choices; not victim of fate and "can milk his or her muscles".

The third quality was that a successful businessperson was one who possessed a deep knowledge of the area of his or her business. They said they knew the market, the livestock, the seasons, the suppliers and had the support of their husbands and other relatives. "People are the wealth and good reputation is like a valid passport." The firm owners argued in the absence of these qualities and behaviours, it was difficult for any livestock trader to be successful."

Social, Human and Physical Capital

Every small business owner aspires to see his or her business to breakeven quickly and grow. This is only possible with strong social, human and physical capital. The five owners of Baraka Bulla Riig women livestock traders, have conceptually in

practice distinguished among three dimensions of social structure, each rooted in different types of social capital: marketing relations, in which livestock and products of livestock are exchanged for money or bartered; hierarchical relations in which obedience to authority and legitimization process are exchanged for material and overcoming the "liability of newness and finally social relations in which favours and gifts are exchanged. The chairperson of the enterprise, Nuria Jammah argues that their business was not dependent on advertisement, but rather on many references. "Business is a social function", she said "and without strong social capital businesses in the livestock sector in rural areas would not last for long:"

As regards with human capital, the firm had five members and seven employees. The members were highly committed and the employees well motivated. But in terms of formal education, only two shareholders had basic formal education and some professional training in the field of entrepreneurship.

What the shareholders and the employees lacked in human capital, they had them in work experience and knowledge in the livestock sector. Additionally, they had possessed highest level of commitment and self-drive. The firm had small value of physical capital and did not have its own transport. However, the enterprise was benefitting from the social network of other small businesses in the sector, where it was common to see a number of businesses pooling resources together in order to reach a larger geographical or market area. In terms of creating a unique small firm spirit, according to the firms secretary, Sofia, the five women owners "are a study in great attitudes", adding," if we do not have a good, appreciative, 'can do, it is possible attitude', we can never be successful in this livestock business, no matter how skilled

we are". This firm, Baraka Bulla Riig Women Livestock traders was formed in 2007 and brief summary of its financial performance from January 2010 to December 2014 is given below as provided by the group leader, Ms Nuria.

The financial performance of the firm during the period under review 2010-2014 indicate an average net income growth of 9 percent with the year 2013 to 2014 being the best with 15 percentage positive net income growth. The firm's net income in 2014 for instance was Kshs 695,000. The net income was summed in a period of 24 months, thus the total of net income for 2013 and 2014 was Ksh 1,390,000/=. Whereas 2009 and 2010, the net income of the two years was Ksh 960,000, Sh 480,000 average per year. The firm's annual sales approximated Ksh 5million per year from the livestock business and other related activities. These figures confirm the positive attitude and enthusiasm of the owners about the future of their livestock business. The women groups were talked of achieving great things in 2015 / 2016 period.

Table 6.2:Baraka Bulla Riig Women Livestock Traders Five Years Performance

Year (2-year duration)	Sales (24 months) sh (000)	Assets Sh (000)	Net income (Sh (000)	Networth Sh (000)	Percentage net income growth
2009-2010	8,000	435	960	300	+8
2010-2011	9,727	870	1,070	430	+11
2011-2012	11,600	930	1,160	605	+8
2012-2013	10,083	950	1,210	710	+4
2013-2014	10,692	1,030	1,390	850	+15

Source: Baraka BR. Woman Livestock Trader Record (2014)

Case 3 Garissa Northern Livestock Trading Group (NLTG).

This company was registered in January 2008 as a small business in livestock sector with four members. Their start-up capital was Ksh 250,000 each member making a total of Ksh one million. Their business model and business theories appeared to have been well grounded because of their past experiences of two of the founders. Two of these founders were Mr. Olat Farah and his long time friend Mr. Jibril Garad. Farah and Garad had worked for about a period of nine years in Nairobi, Eastleigh with Dahabhshill money Transfer Company.

Both of them had Kenya Secondary Certificate of Education (KCSE) and further studied for Diploma in Islamic Banking and international money transfers, management. Farah and Garad hailed from Garissa County and were therefore socially well placed to start a livestock business there. The other two partners, Mr. Shukri Bash and his friend Mr. Yussuf Mohamed, were long time livestock brokers in the Garissa livestock market. Both men had families who helped them with their – brokering "dalal" of camels, goats and sheep business and operated in the livestock market as brokers since 1999.

In the process they have accumulated wealth of experience and knowledge about the quality and origin of livestock, the ethnic social networks of the business and demand, supply, logistics, security and pricing interactions in the entire livestock marketing chain from rural, primary markets at county levels to the terminal markets in Nairobi and Mombasa. The founders of the NLTG, Farah and Garad were excited to have found as partners these two, long time livestock brokers into their company. The chief officer of the company, Olat Farah, set part of his house in Garissa town as office of

the company and also the members brought a pick up vehicle as a business vehicle. The vehicle cost them Ksh 430,000/- and was paid in installment of Sh 100,000pm until all was paid in four months. The business joined community Owned Financing Initiative Cooperative (COFI) where they paid a mentally savings of Kshs 45,000/=. They opened bank accounts with Equity Bank and First Community Bank (FCB). Olat Farah and Gibril Garad were appointed as managing director and operational manager respectively. The firm started with fifteen employees in 2008 and with net balance sheet a set of Sh 1.5 million, including some office furniture and a pick up vehicle.

Firm Trading Growth Strategies

The firm's managing director, Olat Farah had huge dream for the company, reflecting its ambitious name, 'The northern livestock trading company'. His long experience with Dahabshill Money Transfer firm was very useful here. In 2003, Olat Farah, together with two of his friends all working with Dahabshill in Nairobi, started a supermarket store, called Kaymatt in Garissa. The third person was a lady named Ms Shaiya-Bilal. Shaiya was well educated, had BCom Degree from a national university, majoring in finance and spoke both Arabic and French languages. She was an important, popular person at the management of Dahabshill.

The Kaymatt supermarket at Garissa was fully managed by a full time employee named Mr. Robert Simiyu. Mr. Simiyu had worked with Uchumi supermarket for about ten years and for a short while for Nakumatt. Kaymatt recruited him through a competitive process with a basic salary of Kshs 54,000/= per month. Besides selling general groceries, the supermarket had a Bakery Department with latest machines,

able to produce over 30 kinds of bread, and cakes and with high volume to meet the demand of greater percentage of the market in Garissa County. The three founders of the Kaymatt supermarket, Olat Farah, Jibril Garad and Shaiya bilal invested in May, 2003 the Supermarket and the Bakery Department a total of Kshs 4.5 million. The problem was that the three founders were all full time employees of Dahabshill Company and thus were "absentee directors/owner managers". They delegated all the responsibilities of managing the supermarket to Simiyu.

The result was poor performance for the supermarket and two and half years since starting the supermarket, June, 2006, the business was worth only Kshs 2.8million, indicating total loss of value of 38 percent. In July 2007, both Olat Farah and Jibril Garad quit their employment with Dahabshill and took full directorship of their North Trading Livestock Company. Their partner, Shaiya, remained, did not leave her job, and instead got promotion at Dahabshill, becoming one of the directors of Dahabshill finance operations. However, she kept her interest on Kaymatt. Soon Olat and his friend found two more partners, Shukri Bash and Yussuf Mohamed who not only brought new total capital of Ksh 500,000/= but wealth of sector experience. In due course, the two businesses, the supermarket, with the Bakery and the Northern Livestock Trading Company were merged into one single company with Kaymatt being taken over by the livestock firm.

The owners assumed that livestock was more or less seasonal and had inherent systematic risks which were difficult to diversify without complementary business. Therefore, they fully decided that all the assets and liabilities of the supermarket now belonged to the northern livestock trading company. In due course, on 1st December

2014, the balance sheet of Northern Livestock Trading Company appeared as follows:

Table 6.3:The Balance Sheet of Garissa Northern Livestock Trading Group (NLTG)
as at 1ˢᵗ December 2014

Assets	2010	2014	Percentage growth
Fixed assets	**Ksh 000**	**Ksh 000**	
Shop equipment	7,400	10,300	
One vehicle	850	1,200	
Total fixed assets	**8,250**	**11,500**	**+ 39%**
Current assets			
Livestock	7,130	9,750	
Shop grocery	4,754	6,630	
Total current assets	**11,884**	**16,380**	**+38%**
Liquid assets			
Bank balance	70	1,300	
Cash	33	480	
Debtors	-	-	
Total current and liquid assets	**11,987**	**18,160**	**+51%**
Total assets + cash balances	**20,237**	**29,660**	
Net worth	19,192	28,380	+48%
Current liabilities			
Creditors: Bank loan	Nil	950	
KPLC bill in arrears for supply of electricity	645	120	
Shelving & fridge supply	400	210	
Total creditor	1,045	1,280	+22%
Net worth	19,192	28,380	+48%
Total liabilities + capital	**20,237**	**29,660**	

Source: NLTG Management records (2014)

In this case study of Northern Livestock Trading Company, the balance sheet is analysed comparing the two periods 2010 and 2014 in order to help interpret in terms of performance of the firm's activities. In this regard, ratio analysis is used when the relevant data is available since this method is one of the most commonly used tools for measuring a firms performance as represented by the firms liquidity, profitability and reliance on debt, as well as the effectiveness of the firm's owner good management of resources use (Down, 2008).

In terms of liquidity in 2014, the current ratio of the firm which compares current assets to current liabilities is Kshs 11,987,200 ÷ 1,280,000 = 9.37. In other words, Garissa Northern Livestock Trading Company at 31 December 2014, has sh 9.37 of current assets for every 1.00 of current liabilities. In general a current ratio of 2 to 1 is considered to indicate satisfactory financial conditions of a firm (Kirby, 2003). However, this rule of thumb is usually considered along with other factors, such as the nature of the business, the season, and the quality of the owner managers. By measure of liquidity ratio, this firm was very high above the threshold for a firm's satisfactory financial condition. With regard to acid-test (or quick) ratio which measures the ability of the firm to meet its debt payment on short notice, it is computed as: acid test ratio = liquid assets shs 1,780,000 ÷ 1,280,000 (current liabilities) = 1.39. Because the traditional rule of thumb for an adequate acid test ratio is a round 1 to 1, Garissa Northern Livestock Company appears to have a reasonable level of liquidity and thus performance somewhat well in 2014.

Leverage ratios measure the extent to which a firm relies on debt financing in 2010, Northern Livestock Trading Company did not have any, long term debt but had total debt of Kshs 1,045,000/-. In 2014, the firm had a total debt to total assets of shs 1,280,000 ÷ 20,237,000 = 0.063 or 6.3%. The literature (Kirby, 2003) suggest that a total liabilities to total assets of less than 50 percent indicate that a firm is relying more on owners capital than borrowed money. Since Northern Livestock Traders total liabilities to total assets is just 6.3 percent, the firms owners have invested considerably more than the total amount of liabilities shown on the firms balance sheet as at 31 December 2014.

The Firm's Institutional and Competitive Environment

The socio economic and firm's competitive environment greatly determine smallholder of livestock market participation (Sarris & Morrison, 2010). The chief officer of the firm, Olat Farah correctly observed that "the institutional and physical infrastructure necessary to ensure that small firms in the livestock trade sector operate in broad-based, low cost access to competitive, well-organized markets requires significant investment, typically by the county and national governments. We should get out institutions and endowments, as well as prices 'right' in order to induce competitive, favourable environment for livestock trade."

According to the owner managers of Garissa Northern Livestock Trading Company, the traders' share of the retail price shows a declining pattern, overtime, particularly for cattle, goats and sheep. This is due to the fact that urban terminal meat markets are being controlled by butchery owners, the most powerful group in the livestock marketing chain, and middlemen, who act as brokers between livestock traders and butchery owners. These two groups control the competitive pricing environment of livestock in the major domestic markets. The owners of this firm confirmed one of the findings made by Knips (2004) regarding problems faced by livestock traders in the IGAD in general and Kenya in particular.

The owners of this firm complained that livestock were the most taxed business in Kenya. "There are many permits and licences fees. We are not allowed to transport animals at night and there are numerous roadblocks in place. All these issues affect our competitiveness"

Case 4 Wajir Orahay Livestock Traders (WOLT)

This firm, Wajir Orahay Livestock Traders (WOLT) was founded in June 2008 by a former primary school teacher, Mr. Samatar Ugas and five others. When in January 2008, Samatar Ugas, who worked in the public service as a school teacher for a period of 23 years, left Government employment, and was paid some retirement money, he decided with five other partners to start WOLT. Ugas, while he was working as a teacher he had started a small, part time livestock business, where during every school holidays in April, August, and December, every year he would take at least one to two lorries of goats and sheep from Wajir to Nairobi. Each of the Lorries would carry 170 goats and sheep. The average price in Wajir of these animals in a typical season is Ksh 3,400 and in Nairobi the common price is Ksh 5,600, making a gross profit margin of 65 per cent. Each of the partners of Samatar Ugas contributed Ksh 200,000/= making startup capital for the WOLT of Ksh 1.2 million. This was how this firm was started in since 2008 as small, livestock trading business with six partners. They opened accounts with three banks in Wajir for the firm and obtained all the relevant trading permits and licences. Their main products were camels, goats and sheep and camel milk.

The firms owner senior manager, Ugas, appeared to have gathered a lot of information regarding camel in Kenya. He told the researcher that camel milk, which is mainly produced in North Eastern and Upper Eastern Kenya, accounts for 15percent of total national production. Products made by the pastoralists from the milk include cheese, butter, sweetened condensed milk, fermented milk and yoghurt. The most common product is fermented camel milk known as suusa. This is prepared by women. Fresh camel milk retails at Sh 150 per litre while suusa is sold at sh 100

per litre. Camel milk is popular with consumers because of its low fat, with protein content ranging from 2.2 to 4.9 percent especially insulin like-protein which is helpful for diabetes patients. According to Knips (2010), camel milk is "low on cholesterol, sugar, high in minerals – potassium, sodium, copper, iron, magnesium and zinc – and vitamin C".

WOLT'S Growth Strategies

The founder of this firm, Wajir Orahay Livestock Traders (WOLT), Samatar Ugas was popularly known as "Ugas Gellow"; meaning "Ugas of the Camels – Gellow". He was named "Gellow" because of his passion for camels. His father, who was a Senior Chief for a long time, had large herd of camels, over 160 camels with six employees. As a young student, during school holidays, Ugas would visit the camels, take a lot of milk and would come back to school from the holidays healthier and energetic. One of his subject areas of specialization in the school was business education. When he was asked how he came to develop interest in entrepreneurship in the livestock sector, he said, "Four things made me want to be successful business person in the field of livestock sector."

Ugas said by June 2003, he was only 40 years old and came across book by Kiyosaki and Sharon Lechter, titled "Retire Young, and Retire Rich" (2002). "In two months I had read the 550 pages book twice and the message of the book resonated with me very well." He added that he also came across newspaper articles on "beef trading" company based in Zambia, Lusaka, called Zambeef limited. This company according to the articles, was doing very well, trading in beef and poultry products – chicken. He said it was then he decided to start this firm, WOLT and retire from public service

while young at the age of 45 in June 2008.

This meant that the growth strategy of this firm was partly driven by the determination and livestock sector knowledge of the founder, Samatar Ugas. Ugas argued that the creation of livestock Agricultural Finance Cooperation (AFC) of Kenya during the 1960's to help finance the farmers has not benefited the livestock sector. To this end, Ugas believed that there was need to establish the equivalent of AFC under the name of Livestock Development Finance Corporation (LDFC). It was in this context, that his dream of growing his firm, into large Livestock Trading Corporation would be best understood. He wondered "in the Nairobi Security Stock Exchange (NSE), there are number of agriculturally based public quoted companies. Why is there no single public quoted company in the sector for livestock?" With Ugas and his partner, Saney Bulle, the firm picked up overtime and by 2013 – 2014 the firm was worth Ksh 7.210 million as its balance sheet they provided indicates. Ugas was a very hardworking person, who worked at his business for at least 10 hours per day, travelling, selling the livestock, attending business seminars and official meetings with State and County officials on matters affecting livestock. He was also chairman of the Wajir Livestock Traders Association and closely worked with the Wajir County Livestock Marketing Council.

Social, Human and Physical Capital

Social, human and physical capitals are resources which no firm can perform and survive without for a long time. Resources can be also classified into three categories, tangible assets – physical and human, intangible assets such as experience, tacit knowledge, and entrepreneurial behaviours of firm owner mangers and organizational capabilities. In the business operations of WOLT, the firm had social capital resources

of trust, membership of social network groups, co-ethnic groups and cooperative society, Community Owned Finance Initiative (COFI) were observed.

Ugas said livestock traders are better in a sacco because WOLT is a member of Wajir County Livestock Marketing Council, Kenya Pastoralists Forum and Kenya Camel Owners Association. This shows that the owner manager of the firm appreciated well the advantages of social capital, social networks, co-ethnic associations and social norms to firm performance. Ugas and his partner, Saney, summarized the benefits of social capital by saying, "A single finger cannot wash one's face". This saying underlined the significance of team work and belonging to groups." Nothing great is ever achieved alone and without the help of others," Ugas concluded. In terms of human capital, the firm had five partners and eight employees. Regarding human capital, the firm has 8 employees but not well trained or educated. Except two office staff, all rest have no any formal education. However, they were experienced in handling livestock business. Nevertheless, Ugas was educated, experienced and energetic. With respect to physical capital, the business had some furniture, office and a vehicle and balance sheet assets of Ksh 7.210 million as the exhibit below indicates.

Table 6. 4:WOLT Balance Sheet as at 31st December, 2014

	Ksh (000)
Asset: Liquid asset cash	290
Livestock: Donkey	120
Goats	750
Sheep	320
Camels	4,800
Total livestock assets	6,280
Fixed assets	
Furniture/office	300
Vehicle	630
Total assets	**7,210**
Capital (net worth)	6,650
Creditors:	
Bank cooperative loan	360
Creditors	200
Total capital and liabilities	**7,210**

Source: WOLT Records (2014)

Case 5 Sunrise Livestock Traders – Wajir

This firm, Sunrise Livestock Traders was started in 2009 by three people, two men and one woman. The main founder of this firm is named Ahmed Quresh. Quresh worked nine years for a friend of his who had large butchery which supplied Wajir Town with camel, goats and sheep meat for some fifteen since 1985. By 2009, when he started this firm, Quresh was 32 years, as he was born in 1977. He began working at the butchery at the age of 21 and when he was made unemployed in 2009 at the age of 32, he had Ksh 45,000/= to invest in his future. That really was not a large amount of cash on which to go into livestock business alone, excepts, perhaps with few goats and sheep as a broker and trying to trade, with all risks of uncertainty about the prices of the livestock in the future.

The literature on micro and small business suggest that the growth pattern of small business use a seven-stage approach (Kuratho & Hodgetts, 2008). These six stages are the business idea, the markets, socio-economic framework including the competition

– structure, process of evaluating the business idea, trial runs and acquiring resources and finally if all else were acceptable start and manage the business for high performance. In view of that back drop of the literature on small business, Sunrise Livestock Traders appeared to have passed all these several stages and the firm's performance seems to fit well with the most of the assumptions of what Peter Drucker (1998) called "The firms theory of the business". These assumptions are about markets, they are about identifying customers and competitors, their values and behaviours. They are about a firm's strengths and weaknesses. It is argued that, these assumptions are about what a company gets paid for. Sunrise livestock traders appeared to have scaled all the stages of small business trajectory development.

Growth Strategies of Sunrise Livestock Traders

The growth strategies of Sunrise Livestock Trading Company were anchored on strength of working capital, management and institutional relationships. This firm was started in May 2009 with startup capital of Ksh 350,000 and was worth Sh 6.4million in December, 2014, a growth rate of 18 times in about five years. The particulars of the other partners were Habon (Ms) and Bashir Abdigani. These two partners played also key roles in the growth of the firm during the previous five years or so. Habon handled the goats and sheep sector and in the retail trade of meat in the local butcheries. However, Bashir Abdiganic ensured that the camels were well looked after, secure and their selling and buying activities. The firm had nine employees; five of them looked after the camels and ran different activities.

When the manager of the firm, Ahmed Quresh was asked what were the firm's growth strategies he responded, "Have good, viable capital, good, yet ethical

management and maintaining good institutional relations" Quresh reasoned that growth is dependent on the firm's ability to attract new resources. The ultimate source of resources is customers' money. Start-up capital can only be a means to the end of attracting customers as growth target takes into account of the resources the firm will be able to acquire".

Social, Human and Physical Capital

The management of this firm, Sunrise Livestock Traders has strong social network presence. The firm is a member of about six associations and the owner managers regularly attend business meeting in Nairobi, Garissa and Mombasa to network. The firm is a member of the local cooperative society called COFI. Thus has fairly strong social capital base. In the area of human capital, most of the employees as indicated before lack formal education. However, Quresh is highly experienced and resourceful person. Nevertheless, there were gaps in the human capital skill set such as finance and small business management like preparing a business plan. The Firm as the balance sheet shows has fairly strong physical capital all worth Ksh 6.4million. Most of the asset's in livestock whereas the liquid asset (cash) is low, only sh 145,000 as the table below shows.

Table 6. 5: Sunrise Livestock Traders Balance Sheet as at 31ˢᵗ December, 2014

	Ksh '000'
Liquid asset	145
Livestock: Camels	5,305
Goats	95
Sheep	80
Donkeys	65
Fixed assets	
Office furniture	230
One vehicle	480
Total assets	**6,400**
Capital net worth	6,085
Creditors	315
Total capital and liabilities	6,400

Source: Sunrise Livestock Traders Record (2014)

Case 6 River Dawa Women Livestock Traders – Mandera County

River Dawa Women Livestock Traders is owned by a group of six women, who found this firm in 2007 in Mandera County, then a District. The women group has a chairlady, secretary and a treasurer. They have a small rented office and a pick-up vehicle. The leader of the group is called Ubah Gaile. In 2007, the women group started their business with Ksh 180,000/- each contributing Sh 30,000/=. However, by 31ˢᵗ December 2014, their total assets were worth Ksh 2.105 million with current liabilities of Ksh 230,000 as shown in Table 6.6.

The firm has four employees, including a driver of the vehicle. The leader of the group, Ubah Gaile, was the most learned among the six members. She left school after completing her KCPE. She got married to a shop owner and has children. The other five women had no formal education. In terms of age, all the members were in their fourties; strong and ambitious. Ubah reasoned that "Our business is our dignity, our hope, our life, our future, our everything, sunshine, sunset we are in it and we are

going to nowhere. We don't give up things that have such powerful meaning for us".

The River Dawa Women Livestock Trader's main core business was goats, sheep and camels. The women also dealt in fruits and vegetable business where they had a large shade for the purpose. One of them was handling this aspect of their business and it was worth shs 360,000/= .

River Dawa is a seasonal river which acts as the border between Kenya and Ethiopia. On both sides of the River, are many small farms which grow varieties of fruits and vegetables. This women group would buy every day some fresh supplies and retail them at their shade. The firm as at 31 December, 2014, owned 20 camels, 170 goats and sheep, and one vehicle. Their cash in the bank was only Ksh 75,000.

The Firm's Growth Strategies, Human and Physical Capital

In between 2007 and 2014, this firm was able to grow from its start-up capital of Kshs 180,000/= to its present Ksh 2,105 million because of the members own entrepreneurial behaviours, self-belief, determination, good management and help from their social networks. In February, 2009, Ubah said "we approached our local MP who we voted for during the General Elections of December 2007 for financial help and he gave us a grant of Ksh 870,000/=. This became the starting-point of our growth". The firm opened its accounts with First Community Bank who also loaned them Ksh 230,000/=.

The firm was generating about Sh 120,000/= per month enabling the six member to get at least Sh 15,000/= per month after paying firm expenses. In terms of human capital, except Ubah none of the other member had any formal education. Therefore human capital was a critical issue. The firms physical capital was worth Ks

2.105million as the Table 6.6 demonstrate.

Table 6. 6: Balance sheet of River Dawa Women Livestock Traders Ltd as at 31st December, 2014.

	Ksh '000'
Assets: Liquid assets cash	105
Livestock: Goats and sheep	627
Camels	815
Fixed assets	
Office furniture	208
Vehicle	350
Total assets	**2,105**
Capital net worth creditors:	1875
Bank loan	230
Total capital and liabilities	2,105

Source: River Dawa (2014)

Case 7 Fino Hills Livestock Dealers – Mandera County

This firm Fino Hills Livestock Dealers was registered and started in May 2006 by seven partners with each startup capital of Ksh 49,000/= totaling to Ksh 343,000/=. The leader of the seven founders of the firm is called Abdi Barut. It has two bank accounts; is registered with Mandera Livestock Marketing Council and is a member of Community Owned Financed Initiative (COFI). The firm main sector of business concerns with goats, sheep and camels. Once in a while if an opportunity arises, they might deal in cattle.

As at 31st December, 2014, the total assets of the firm were Ksh 3.55million with cooperative loan of Sh 415,000/- as the exhibit below shows. Theoretically, Fino Hills Livestock dealers was engaged in opportunity recognition, where their role are arbitrage, connecting known products of livestock with existing demands to exploit

previous recognized opportunities in Mandera County or in Counties outside of Mandera, such as in Garissa or even Nairobi. Fino Hills Livestock Dealers has a small office at Mandera County headquarters and employs three people. However, the firm has herd of camels, goats and sheep. The Firm does not have a vehicle for use. The activity of the Firm revolves around livestock economy which is characterized by rapid change, population growth, and increase in demand for livestock products combining at an unprecedented rate with environmental factors such as climate change to reduce pasture, productivity problems of cross boarder insecurity, inter-clan conflicts and long distance from main terminal markets compound the problems facing livestock trade.

Firm's Growth Strategies, Human and Physical Capital

The growth strategies of this firm, Fino Hills Livestock dealers revolved around the personal drive, entrepreneurial behaviours of the owners, market focus on camels, goats and sheep, good relation with the livestock suppliers within Mandera and from both sides of the Kenya's boarders with Ethiopia and Somalia. The firm's leader, Abdi Barut said that. "Our secrets of success are determination, trust, social networks and good management of the firm's finances". He added, "Financial needs, rather than profit-making opportunities are the major trigger for livestock sales by pastoralist households.

We therefore monitor financial needs of the livestock owners during drought, or during Muslim Holidays and when schools are opened." The prices of sheep and goats ranged from Ksh 2,500 to Ksh 5,000 and camels from Ksh 30,000 to Ksh 70,000/=. The physical capital of the firm was worth Ksh 2.85million as the exhibit below

indicate. The firm did not have a vehicle. However the Firm had a small office in Mandera East District and stock of livestock, camels, goats and sheep. The firm had four employees and was earning the partners each year an average of Ksh 130,000/-. The balance sheet indicates that the firm's cash level was low, Sh 65,000/= as at 31st December, 2014.

Table 6. 7: Balance sheet of Fino Hills Livestock Dealers as at 31st December, 2014

	Ksh '000'
Liquid assets: cash	65
Goats and sheep	532
Camel's	2,100
Fixed assets	
Office furniture	<u>153</u>
Total assets	**<u>2,850</u>**
Capital: Net worth	2,435
Creditors	415
Total capital and liabilities	<u>2,850</u>

Source: Fino Hills Livestock (2014)

6.4 Case Study Analysis

This chapter picked, and examined in detail six firms as case studies to complement the finding, results and recommendations of the study. As was defined in section 6.2, success performance patterns is about the regular, fixed entrepreneurial ways of how firm owner managers conduct themselves on day to day basis and do business such patterns of firm performance are best measured in most cases in terms of growth of the firm, age of business, profitability and level of satisfaction of the owners with the performance of their respective firms. In this part of this chapter, the seven firms analysed using descriptive statistical method. Here, the characteristics of the entrepreneurs and also their firm level attribute were analysed, Table 6.8

Table 6. 8: Entrepreneurs Characteristics

a. Gender: N=7 Firms	Frequency	Percent
Majority men owned	5	71.4
Majority women owned	2	28.6
b) Use of entrepreneurs		
18-35	5	35.7
36-50	6	42.9
Above 50	43	21.4
N=14		
c) Educational level		
N=14		
Some primary level	6	42.9
Completed primary		
Same secondary level	3	21.4
Completed secondary	4	28.6
Post secondary	1	7.1
Total N = 14		100.00

Source: Field study data (2015)

As the Table 6.8 and 6.9 shows, the characteristics of the entrepreneurs and also the firm level MSE characteristics were examined in detail. Except one firm in Garissa, Towfiq Livestock Traders with total asset of Ksh 38.9million, the other six firms had very modest net worth or equity. Analysis of these six cases shows that there is no one way to ensure good business performance, no formulae, no simplistic recipes to guarantee success. As the cases demonstrate, there are many ways to plan for high business performance.

However, the many ways, as matter of necessity, include owners entrepreneurial behaviour, social and economic institutions. As the Tables 6.8, 6.9 and 6.10 demonstrate, the cases presented in this study provide useful insight into the study variables.

Table 6. 9: Distribution of the seven micro and small studied firms by employees and net worth

Firm – case	Legal form	Age of firm	Number of employees	Net worth (shs 000)	Observation
Towfiq traders	Limited	15	25	42,000	Invested highly on entrepreneurial behaviour and institutions
Garissa Northern Ltd	Partners	8	18	29,660	Invested highly on entrepreneurial behaviour and institutions
Wajir Orahay	Partners	7	8	7,210	Invested moderately
Sunrise Livestock	Partners	6	9	6,400	Invested moderately
Fino Hills	Partners	8	6	2,850	Low investment
River Dawa Women	Partners	8	4	2,105	Low investment
Baraka Bulla	Partners	8	7	850	No investment

Source: Field study data (2015)

As the Table 6.9 shows, majority of the firms or 57 percent had less than ten employees. This small size of employees was in full agreement with the concept of micro enterprises. However, still all the firms had less than 50 employees, which is as per definition of a small firm-one with 10 – 49 employees. In terms of balance sheet values, most of the firms in the cases, fire firms or 72 percent had net worth of less than Ksh 10 million. Only two firms or 28 percent had balance sheet net worth of above Ksh 10 million; Ksh 30 million and Ksh 40 million. These two firms, both of Garissa County, TowfiQ Livestock Traders (Table 6.1) and Northern Livestock Trading Company (Table 6.3), had relatively more resources, social networks and human capital in terms of human capital.

6.4.1 Discussion of the Findings from the Cases analyzed

The seven cases presented in this chapter of the thesis provide important perspectives into the conceptual and theoretical dimensions of the issues considered. The cases further provide empirical evidence to support and provide good grounding to the conclusions on entrepreneurial behaviour, social and economic institutions and firm performance. The main themes and lessons are discussed as below. In terms of entrepreneurial behaviour motivation or achievement need, legitimacy seeking behaviour, risk taking, locus of control and tolerance for ambiguity, these cases demonstrated that indeed these factors were highly present in the conducts and actions of the owner managers of these livestock trading MSEs. The owners of these firms worked hard, over ten hours per day networked with co-ethnic groups, joined business associations operated banked accounts and obtained operating licence.

In terms of the effects of social and economic institutions, the firms owners, formed partnership in order to enhance their financial, human and physical capital. In terms of social and economic institutional business performance moderating factors, it was apparent that institutional variables played critical role in the survival and growth of their business. During the study, the owners' managers of the MSEs were invited for Focus Group discussions sessions and they provided much needed insights into the challenges they encountered in the management of their business. In these discussion sessions, all the fourteen participants, two per firm confirmed that family, friends, members of business associated and the government agencies all contributed to the profitability and growth of their respective firms.

When asked to discuss what motivated them and run micro and small businesses in the livestock sector, majority of them, 63% said" availability of the livestock; easy to run, 59% and the need to be self-reliant, to be "my own boss", 49%. The least motivating factor was the availability of capital, only 6%. Few of the entrepreneurs had earlier experiences in running such business before starting their own, 17%, and a number were also encouraged by group initiatives, 38% and friends and family members, 36%. In terms of entrepreneurial behaviours, it emerged from the Focus Group discussion that the most admired behaviours were "hard-work", 56% trust, 52%, management skills, 50% and self-confidence, 36%".

The discussion groups however, pointed out that the worse three entrepreneurial behaviours, in their opinion were, "promise breaking, 52%, dishonesty and bad debts, that is refusing to pay creditors on time". The groups argued further that, the three main reasons that make livestock business highly satisfying for them were" profitability, 96%, good sales, 93% and does not require technical skills, only few formalities such as obtaining operating licence, 51%).

In terms of business challenges and frustrations, the discussion groups in their views, faced a number of institutional and environmental problems. Some of these were recurrent inter-clan conflicts and also general insecurity in the three counties of Garissa, Wajir and Mandera; 82% and the security 700 kilometers border wall being planned to be built on the Kenya / Somali boarder, such a wall will affect supply of cattle, goat and sheep from the other side of the boarder to the Garissa livestock market. Other challenges include unstable livestock prices, 80% livestock diseases, 67% droughts, 49% and limited market information and "poor management skills",

42%. However, the traders greatest worry was" low profits margins in some months, 98%, and decrease of supply of livestock due to drought, diseases and insecurity, 85%. On addressing institutional limitations, the owner managers of the MSEs stated that they formed associations looked for alternative markets with better security and presented their concerns to the relevant county and national government authorities through their Livestock Marketing Council Forums. They for instances, requested the National Government Ministry of Agriculture and Livestock to help Kenya Meat Commission open branches in the Counties. This will bring positive performance for our businesses and taxation are also very high. National and County governments are not investing in livestock and livestock trade," the MSE owner managers argued. From the Focus Group Discussions, it has become clear that entrepreneurial behaviour directly influences firm performance and that social and economic institutions indeed moderate the performance of the MSEs in the livestock sector. Summary of the cases analyzed is given at Table 6.10. The summary confirms that the success patterns of these MSEs were growth, the age of the MSE, profitability and the level of satisfaction of the owner managers. Firms that were likely to fail were low on these factors and those that were more likely to perform better were high on these factors.

Figure 6. 1 Cases: Interactive linkages of study variables
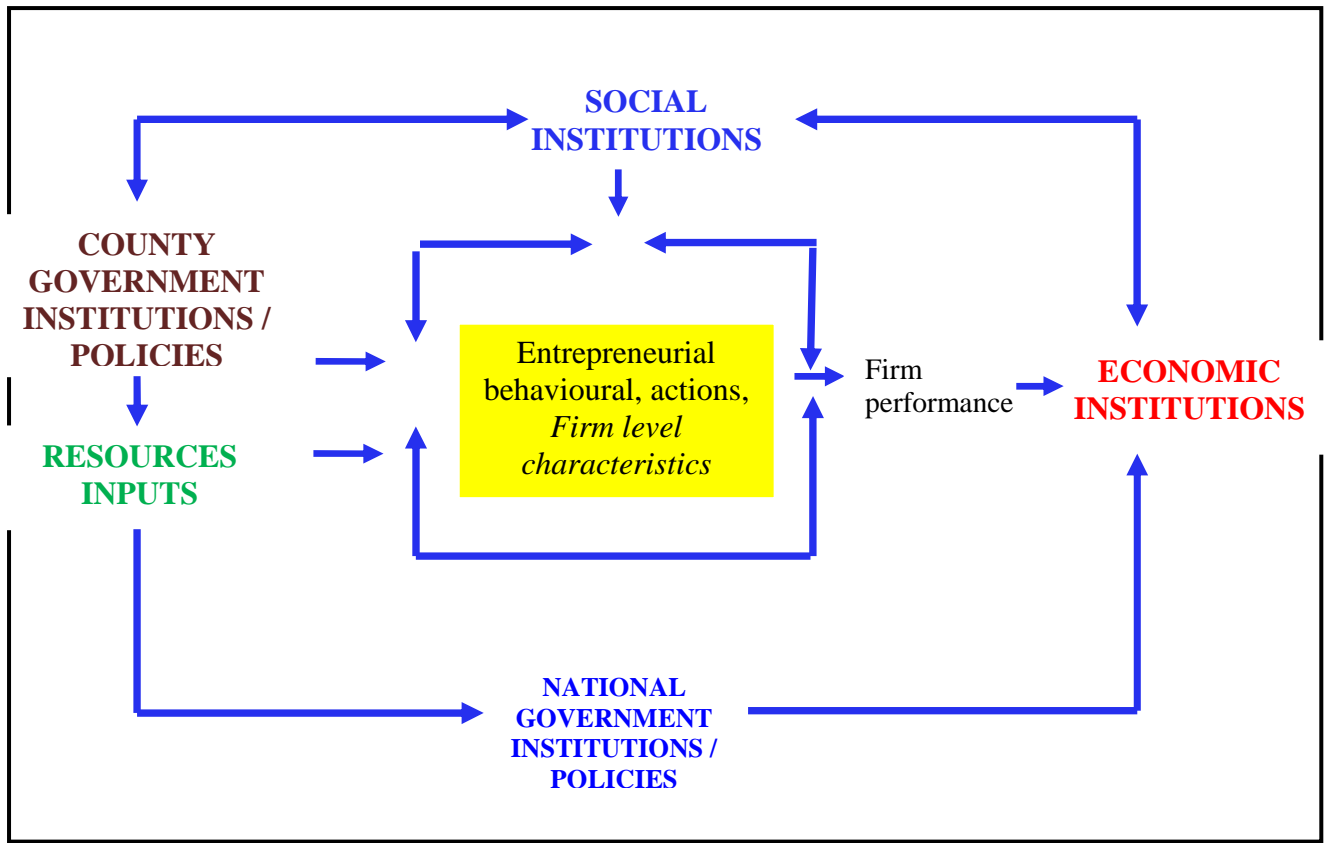
Source: Researcher (2015)

Figure 6.1 shows the interactions of the study variables in the case studies together with how social, economic and government institutions determine firm's resource inputs, entrepreneurial behaviour, and therefore MSEs firm level characteristics.

Table 6. 10 Summary Cases Analyzed

Case	Objective/ hypothesis	CASE 1 Towfiq Traders Gsa	CASE 2 Baraka Bulla Gsa	CASE 3 Northern Livestock Traders Gsa	CASE 4 WOLT Wajir	CASE 5 Sunrise Traders Wajir	CASE 6 River Dawa Traders Mandera	CASE 7 Fino Hills Traders Mandera
1	Entrepreneurial behaviour and MSEs performance	Entrepreneurs highly motivated with high achievement need. Work long hours. Moderate risk takers, have self confidence, tolerate failures, market ambiguity	Have high motivation, achievement needs, work long hours, moderate risk takers, tolerate business failures	Motivated, have need for achievement. Work hard. Moderate risk taker, Tolerate failures, but low on personal business skills	Motivated, have average need for achievement, take high risks, tolerate failures, seek business skills.	Highly motivated, have high need for achievement, take moderate risks, tolerate failures but low on business knowledge /skills	Motivated, have high need for achievement, seek legitimacy, take risks but low on business skills and financial capital.	Highly motivated, self driven, hard-working, risk taking, seek legitimacy but low on business skills and financial capital
2	Moderating effects of social institutions and MSEs performance	Have family, co-ethnic and business association networks. Trust is highly valued. Elders are used to settle business disputes.	Have strong networks of friends, family, trust is valued. Form of business partnerships Used harambee to raise funds	Many suppliers of livestock and funds are co-ethnic groups. Trust among partners is high.	Co-ethnic network is high and form of business is partnership.	Form of business, partnership. Have Co-ethnic and business association networks. Trust is high. Use elders to settle business disputes	Have high family support. Relationship of firm performance and social institutions clear. Resources obtained from friends / families and through harambees.	Have high co-ethnic social networks. Form of business, partnerships. Trust high and low on formalities.
3	Moderating effects of economic institutions and MSEs performance	No formal policies of two levels of government to help MSEs. Market structure competitive. No financial services support, transport expensive. Members of SACCO, No entrepreneurial training facilities.	No access to financial services. Support from county / national governments. Lacking transport services or expensive, No entrepreneurial training facilities.	Performance poor because of lack of access to financial services, markets and drugs to treat animals. Insecurity also affects performance.	No active policies to support livestock traders. No access to capital and training opportunities.	Market structure competitive. Self-reliance on resources mobilization. Road networks poor, affects performance	No market information. Fees, licencing procedures and uncoordinated regulations on livestock movement affect negatively firm performance	Distance from main terminal markets, climate, insecurity and no government supportive policies affect performance, profitability.
4	Combined effects of social, economic institutions on MSEs performance	Indicate evidence that joint entrepreneurial behaviour, social and economic institution, result high firm performance. The combined effects result geometric progression rather than arithmetic.	High entrepreneurial behaviour, results to better firm performance, only if owners benefit from socio economic institutions	Evidence show that combined effects of entrepreneurial behaviour, social and economic institutions is greater than individuals on firm performance.	Evidence indicate that entrepreneurial behaviour, social economic institutions have positive cumulative effects on performance	Firms with high entrepreneurial behaviour, perform better when social economic institutions were more favourable	Combinations of entrepreneurial behaviour, favourable, social and economic institutions resulted, higher MSEs performance	The years when the firms combined high entrepreneurial behaviour, favourable social and economic institutions firm performance was greater

Source: Researcher (2015)

6.5 Chapter Six Summary

This chapter has presented the cases studies of the seven Micro and Small firms, three from Garissa County and two each from Wajir and Mandera Counties. The chapter presented analysis of each of cases and then presented descriptive statistical analysis of all the cases. The case have indeed confirmed that entrepreneurial behaviour directly influences firm performances and that social and economic institution moderate the relationship between entrepreneurial behaviour and firm performance. The case study analysis reveals that there is indeed appreciable improvement in the performance of MSEs that invested significantly in entrepreneur behavior, social and economic institutions by for instance examining the book values of Case 1, Case 3 and Case 4. This chapter has also presented analysis of the focus group discussions. From the focus group discussion, emerged a lot of insights concerning determinants of MSEs success, challenges these firms faced and how the firms cope with those challenges. The chapter finally presented a summary of the analysis and how the cases helped answer each of the research questions and therefore achieved the research objectives, Table 6.10. The next chapter seven presents the Summary, conclusions and recommendations of the study.

CHAPTER SEVEN

SUMMARY, CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This chapter presents the conclusions of the process of data analysis, findings emerging from the study and discussion of the results. Furthermore, the chapter draws conclusions concerning the findings on the study variables relationships. The chapter also presents implications of the study in the context of theoretical approaches, policy and practice and methods. This chapter provides recommendations in terms of areas which scholars, a policy makers, entrepreneurial practitioners and researchers may explore further as appropriate. The chapter presents limitations of this study and suggestions for further research.

7.2 Summary of the Findings

This study had four objectives. The first main purpose of the study was to establish whether entrepreneurial behaviour had direct effect on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya. The study further sought to determine if social and economic institutions had moderating roles in the relationship between entrepreneurial behaviour and the performance of the MSES. The study also sought to establish the combined effects of all the three variables on the performance of the MSEs. In this process the nature and importance of micro and small enterprises in the larger, Kenyan economy and North Eastern context, were examined in chapter Two.

The literature review had shown that most of the past studies on the performance of micro, small and medium sized enterprises done in Kenya were in the context of urban centres in Nairobi or on large firms (McCormick, 1988; Waweru, 2008, Maalu, 2010; Okeyo, 2013). Therefore, the context and the conceptualization of this study were reflection of the researcher's own philosophical and theoretical motivation, believes, understanding and gaps in knowledge in the relevant field. It is on the basis of the literature review and the researcher's own view that there was no similar study done in the past in the context of North Eastern Kenya, that the conceptual framework of this study was designed to achieve the main objective which comprised to establish whether entrepreneurial behaviour had a significant effects on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya.

For the purpose of examining the three study hypothesis, the study variables were operationalized so as to facilitate suitable forms of data analysis. The independent predictor variable, entrepreneurial behaviour was formulated as construct of achievement need: motivations, legitimacy seeking behaviour, risk taking and tolerance of ambiguity. Similarly, social institutions were viewed as a construct of cultural munificence, family / kinship, co-ethnic and business associations, social networks and reciprocity trust yielding networks.

Economic institutions were also operationalized as government policies (economic dynamism or economic munificence), the market structure, financial services, and availability of entrepreneurial training opportunities. In the light of the manner in which the data was collected, a mixture of data analysis techniques were used to investigate the various perceived relationship of the study variables. The statistical

analysis used includes univariate and multiple regressions as well ANOVA. The data analysis concerning the relationship between entrepreneurial behaviour and the performance of MSEs produced some important findings. Similarly, the hypothesized moderating roles and the combined effect of the three study variables also produced important findings for this study. When the results from the various statistical analysis were subjected to regression and ANOVA, the results were in supportive of the four hypothesis, H_1, H_2, H_3 and H_4. Indeed the findings confirmed that entrepreneurial behaviour affected the performance of the 191 MSEs studied. The findings also validated that social and economic institutions indeed have moderating effects the relationships between entrepreneurial behaviour and the performance of the micro and small enterprises studied.

The results covered the relationship between entrepreneurial behavior, and the performance of MSEs in the Livestock sector in North Eastern Kenya with social and economic institutions as the moderating variables(Adj.R^2 =11.4%). First it was hypothesized that, entrepreneurial behaviour had significant influence on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya. Entrepreneur comprised of motivation (achievement need), legitimacy seeking behavior, risk taking, effectuation (locus of control), and tolerance of ambiguity. A composite index of MSEs performance was computed and regressed on specific extracted variables of entrepreneurial behavior as predictor variables established that MSEs performance was predictable by entrepreneurial behavior in a positive and moderate way. At a general level these findings are consistent with findings obtained in past studies of entrepreneur behavior and performance of MSEs even though there were also divergences.

Secondly, it was hypothesized that Social institutions moderate the relationship between entrepreneurial behaviour and the performance of the micro and small enterprises in livestock sector in North Eastern Kenya. Social institutions comprised of kinship/ family, co-ethnic networks, membership in social associations, existence of business rules, level of trust, strong bonding groups and social capital seeking behavior. The study found out that social institutions moderated the relationship between entrepreneur behavior and performance of MSEs in the livestock sector in North Eastern Kenya (Adj.R^2 =67%). The finding of this study provide more empirical support than those of earlier studies which demonstrate little consensus and are non-specific about precisely which institutions are important for entrepreneurship.

Thirdly, it was hypothesized that Economic institutions moderate the relationship between entrepreneurial behaviour and the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya. Economic institutions dimensions comprised of Government policy dimensions, market structure, opportunity and training, ease of transport, access to financial resources, membership in business associations (Saccos), and education and innovation systems. This study found out that economic institutions had a moderate effect on the relationship between entrepreneur behavior and firm performance a divergence from past studies which were inconclusive on whether a favourable economic environment supports motivations for entrepreneurship and performance of MSEs (Adj.R^2 =54.2%).

Finally, it was hypothesized that the combined effect of entrepreneurial behaviour, social and economic institutions on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya is greater than the effects of the individual study variables.

It was found that the combined effect of entrepreneurial behaviour, social and economic institutions on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya was greater than the effects of the individual study variables(R^2= 95.4%; Adj.R^2 = 78.9%). This finding is divergent from other past studies who uncovered no significant relationship although congruent with others scholars that entrepreneur behavior was moderately and positively associated with firm performance.

The survey data analysis was linked with case study analysis through the emergence of common factors that have been identified in the research literature as either enablers or inhibitors of firm performance. The literature identified at least 41 multi-faceted and varied influencers of MSEs performance which include: social, entrepreneur behavior such as positive attitudes towards entrepreneurs and risk taking and economic institutional variables such as ease of business entry and regulatory factors (Lundstrom& Stevenson, 2006). Factor analysis for this study extracted 14 multi-faceted variables that were grouped as entrepreneur behavior, social and economic institutional variables (Table 5.7). This study element which also emanated from the case study cases were confirmed as major influencers of MSEs performance. A summary analysis and corresponding conclusions is summarized in Table 7.11.

Table 7.1: Summary of Study Objectives, Hypothesis and Findings

Objectives (1.4)	Hypotheses (3.10)	Findings with significant relationships	Case study findings	Conclusion on hypotheses
To establish the relationship between entrepreneurial behavior and performance of MSEs	H_1: Entrepreneurial behaviour has significant influence on firm business performance (MSEs)	Motivation or self-confidence, determination – number of hours worked, compliance with regulation and seeking loans show significant effects on MSEs performance	Highly motivated, have high need for achievement, take moderate risks, tolerate failures but low on business knowledge /skills	Entrepreneurial behaviour significantly affects MSEs performance. H_1 is failed to be rejected. Adj. R^2=11.4%
To determine the moderating effect of social institutions on the relationship between entrepreneurial behaviour and MSEs performance	H_2: Social institutions moderate the relationship between entrepreneurial behavior and firm performance (MSEs). Direct relationship on MSEs performance	Belonging co-ethnic associations, having family / kinship support and membership of business groups have significant moderating effect on MSEs performance (EB*SI performance)	Have family, co-ethnic and business association networks. Trust is highly valued. Elders are used to settle business disputes	The interactive term (EB*SI performance) significantly moderates MSEs performance – Hypothesis, H_2 failed to reject. Adj. R^2=67% Adjusted R^2 =11.3%
To establish the moderating role of economic institutional activities on the relationship between entrepreneurial behaviour and performance of MSEs	H_3: The activities of economic institution moderate the relationship between entrepreneurial behaviour and firm performance (MSEs) Direct relationship on MSEs performance	The interactive term (EB * EI) is significant economic institutions have significant moderating effect on EB-performance relationship	No access to financial services. Support from county / national governments. Lacking transport services or expensive, No entrepreneurial training facilities	The interactive significantly moderates EB and MSEs performance hypothesis H_3 failed to reject. Adj. R^2=54.2% Adjusted R^2 = 17.2%
To establish the combined effects of entrepreneurial behaviour, social and economic institutions on MSEs performance	H_4: The combined effects of entrepreneurial behaviour, social and economic institutions on the performance of MSEs is greater than their individual effects on firm performance	The effects of EB, SI and EI on MSEs performance are significant. Overall model is significant regarding firm performance	High entrepreneurial behaviour, results to better firm performance, only if owners benefit from socio economic institutions such as Saccos	The combined effects of EB, SI and EI is indeed greater than individual effects of EB, SI and EI on MSE performance. Hypothesis H_4, also failed to reject. R^2 =95.4% Adj. R^2=78.9%

Source: Researcher (2015)

7.3 Conclusion of the Study

The thrust of this study was to examine the determinants of the performances of the micro and small enterprises in the livestock sector in Northern Eastern Kenya – in the counties of Garissa, Wajir and Mandera, while anchoring it on institutional, bricolage and resource based theories of entrepreneurship studies. In this regard, the main

purpose of this study was to establish the extent to which social and economic institutions affected the relationship between entrepreneurial behaviour and the performance of micro and small enterprises in the livestock sector in North Eastern Kenya. Entrepreneurial behaviour together with institutional theories are popular research lenses for entrepreneurship research (Landstrom, 2006; Boettke & Coyne, 2004). In order to achieve the four research objectives of this study, basic descriptive statistical nominal and ordinal data analyses were used.

Further, correlation tests were performed before performing inter-variable tests involved inferential statistics in terms of ANOVA, and multiple regression. As regards entrepreneurial behaviour and MSEs performance, the relationships were found to be statistically significant at both composite and dimension levels. Particularly the effect of self-confidence, locus of control, determination or motivation or compliance with regulations and risk taking element in terms of loan seeking behaviour were found to be very significant in MSEs performance.

The study found that about 18% of the MSEs were "somewhat thriving" and the majority, 82% were "performing poorly, only surviving." Past studies, Delmar (1996) and Boettke and Coyne (2004) also confirmed that entrepreneurs interest in the business – determination and attitude to the growth of the firm were the most important individually related variables. Motivation was completely dominant as representative of individual differences of the owners of the MSEs. It was also noted that entrepreneurs who had chosen to concentrate on few customers also performed better than those who focused on the general public. The study finds that both social and economic institutions have positive significant moderating influence on the

relationship between entrepreneurial behaviour and the performance of micro and small enterprises.

The conclusion of this study is that social and economic institutions had strong and statistically significant effects on the link between entrepreneurial behaviour and the performance of the micro and small enterprises in this study. The overall conclusions for this study based from the data analyses, literature and the findings are that policy makers, practitioners and scholars in the discipline of entrepreneurship need pay greater attention to entrepreneurial behaviour, social and economic institutions in order to secure better sustained growth of micro, and small enterprises in the livestock sector and in all others sectors in general. Table 7.1 presents a summary of the relationship among the study objectives, hypothesis and findings based on the data analysis and case studies.

7.4 Recommendation of the Study

Following the foregoing discussions and presentation made from chapter one to chapter six, this study makes a number of recommendations for further research. The variables of this research were entrepreneurial behaviour, social and economic institutions. The study used a number of theories as its research lenses. The study recommends that further research of the role of human capital and social institutions in firm performance in the contexts of rural settings be done. The study has used elements of these variables were rather limited and were not exhaustive. This study, first therefore recommends future research involving different sets of element of these three study variables to determine their influence on the performance of micro and small enterprises. Other studies might consider the roles of culture and geography in

entrepreneurial development. Secondly, the primary data analysis used was multiple regression analysis. This type of analytical approach has a number of limitations which may result only partially correct conclusions. It is therefore recommended that future studies use additionally statistical methods such as structural equation modeling.

This study makes important contributions to understanding of the relationship between entrepreneur behavior and performance of MSEs. It is arguably the first study of its kind at this level in livestock trading MSEs in a resource constraint context in North Eastern Kenya. Therefore additional researches are needed on these issues both in this region and other livestock trading regions as identified in chapter two, to better understand the generalizability of these findings. From the descriptive results (Tables 5.6, 5.7 & 5.9), it was seen that the means on profit above average (2.112), profits / sales ratio (2.658), customer satisfaction (2.072), risk taking (2.30), locus of control (2.22), market structure (2.37), and access to entrepreneurial education and innovation systems (2.163), are all rather low. Hence, if MSEs performance is indeed top priority for policy makers, as well as entrepreneurs themselves, it is recommended that policies and practices be formulated to help enhance all these variables with aim of improving the performance of MSEs.

The results of this study are divergent with most previous researches (Kirby, 2003; Bruton et al., 2010; Delmar, 1996; Baron, 2007) in that the study provides more empirical support for the hypothesized positive relationship between entrepreneur behavior and performance of MSEs with social and economic institutions acting as moderating variables.

7.5 Limitation of the Study

The focus of this study was the determination of the effects of entrepreneurial behaviour, social and economic institutions on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya. The study in this regard integrated these variables in sophisticated relationships that entailed their interactions. The nature of the complex relationships of the study variables were grounded on literature review, empirical studies and conceptual framework. The literature suggests in such circumstance, entrepreneurial behaviour directly affects firm performance, while social and economic institution moderate the relationship.

This study as conceptualized studies had some limitations. For a start the study focused on the performance of micro and small enterprises in the livestock sector in North Eastern Kenya. This means the study somehow, excluded MSEs in other sectors and those in urban centres like those in Nairobi or Mombasa Counties. The study design was census and those who participated in the study were 191 MSEs. This therefore could have limited the scope of the study and might result to scholars questioning the generalizability of its findings.

In terms of research design, the study was done using cross-sectional survey together with seven MSEs examined in detail as case studies in chapter seven. The study therefore lacks the benefit of longitudinal research design. Further limitation was the use of a linear regression mainly as the tool of data analysis. Regression analysis assumes that relationships among variables are linear and predictable. More latent proximate and non- proximate causes and relationship do not get revealed by regression analysis. Additionally, this study begins to explore the question of

causality. However, causality can actually be tested only with data collected at different points in time which future studies are recommended to include although predictions is that large numbers of small firms 'die early in life' within three years of start- up, thus there is insufficient data for satisfactorily casual effect relationship or time series analysis. That is why study such as Delmar (1996) used structural equation modeling.

Further, limitations arose out of the contextual issues. North Eastern Kenya is relatively more remote and insecurity was also a big issue in 2015 as shown in the notes on the field research methodology process report (Appendix III). In view of these contextual factors the respondents and governments officials did not provide on many occasions very insightful data and other information needed for this study. This made it difficult getting much needed data for triangulation. Despite these limitations, this study was designed in both scope and quality in highly scientific manner following thorough literature and theoretical review and all possible research lenses. The study was therefore vigorous and thorough in its scope, depth, statistical analysis and conclusions. The study's contribution to the field of entrepreneurship research and scholarship is a matter of great significance, particularly in micro and small enterprises sector, theories and practice.

The findings of this study therefore will benefit MSEs in terms of entrepreneurship behaviour and crafting the appropriate social and economic institutional policies, and strategies, that stand to improve the performance of the micro and small enterprises in Kenya.

7.6 Implications of the Study

The findings and conclusions of this study have a number of theory, policy and practical managerial implications as shown in 7.3.1, 7.3.2 and 7.3.3. As concerns theories, this study was anchored on institutional and resource based theories within the framework of effectuation and bricolage theories of entrepreneurship. These theories were used to anchor the study and concepts that guided the study. These theoretical foundations enabled an informed examination of the key study variables and concepts by underpinning the study on well-grounded literature on entrepreneurship. The study therefore has made significant contribution to these theories in the context of micro and small enterprises entrepreneurial behaviour, social and economic institutions and firm performance. The study also has implications for theory, policy and practical managerial.

7.6.1 Theoretical Implications

The findings of this study has implications for theory in four major thrusts namely: bricolage, effectuation, institutional theory and what we may call eclectic integrative approach of entrepreneurship studies. A number of theories such as heterogeneity demand theory, differential advantage theory, resource heterogeneity and competence based theories share an emphasis on internal aspect of the firm as determinants of firm performance. However, institutional theory focuses on the external aspect of the firm as the drivers of firm survival and growth. Bricolage and effectuation theories address the behaviour of entrepreneurs in resource scarce environment. This is a major implication of entrepreneurship theory.

The theory of bricolage concerns with how firms do with whatever combinations of

resources they have to achieve their business goals (Baker & Nelson, 2005). The findings of this study suggest that the MSEs in the livestock sector in North Eastern Kenya operate in resource deficit environment where most of them do with whatever was at hand. This theory can be generalized to apply to most of micro and small enterprises in developing as well as in the developed countries.

Effectuation theory of entrepreneurship posits that under conditions of resources constraints, uncertainty and dynamic business environment, the owners of MSEs adopt a decision logic that is different from the traditional, causation approach. The behaviour of majority of owners managers of MSEs do not fit with the traditional causation process. Instead they engage in experimentation, risk little, fail cheap and the affordable loss than expected returns principles. Effectuation theory therefore has implication to understand better, the behaviour and the management approaches of the MSEs in general, not only those studied here.

Developing these ideas in the field of entrepreneurship, Sarasvany (2001) suggested that a logic of "effectuation" is more appropriate to describe and understand entrepreneurial activity, or more generally creative activities, than logic of causation. Her definition of effectuation behaviour emphasizes the primacy of means over ends, the primacy of identity over goals, and control rather than reduction of uncertainty in the livestock trade sector. Network bricolage was not only a mechanism for accessing financial and other reasons, but also provided a locus for identity formation in the entrepreneurial occupation. Examining entrepreneurship research through the lens of social institutions and the sociology of occupation might help business practitioners and policy makers the transition to entrepreneurship in rural settings, where resource and business opportunities were comparatively scarce. Classical entrepreneurial

theories appear not to be adequate as a practical guide to the performance of MSEs. Further, these rather low explanatory explanations, 11.4%, implies that the firms studied respond to the demands of their unique operating circumstances, thus the popularity of contingency theory as foundational assumption of the theories of MSEs performance.

This study has implications for these two theories: Institutional and eclectic integrative theory of entrepreneurship research. Institutions, both social and economic, together with entrepreneurial behaviour of MSEs owners form what is commonly called "the ecology of entrepreneurs" and become part of the general open system theory of entrepreneurship and small business development (Baumol, 1993). Broadly institutions can be grouped into two: social and economic (McCormick & Kimuyu, 2007). The importance of institutions is anchored on the fact that strategies of firms are grafted to fit the opportunities and limitations provided through the formal and informal institutional framework. However, institution theory is not adequate to explain, predict and help understand the complex nature of firm performance and firm creation. It is for this reason that this study has implications for strong perspective of eclectic integrative theoretical framework to fill this gap.

7.6.2 Policy Implications

The findings and conclusions of this study suggest three major policy approaches: facilitating access to financial capital for livestock trade, empowering livestock producers through provision of information on market prices, government regulations, veterinary services, buyers preferences, supply and demand of animals in major terminal markets and lowering market costs.

Livestock commerce is capital intensive for poor entrepreneurs. This explains why an

overwhelming majority of the entrepreneurs interviewed listed inadequate own-capital and difficult access to credit as the most limiting constraint to livestock trade and an important reason for joining market associations and SACCOs or forming partnerships, *Shirkad* as they call it. Provision of information on consumer preferences, demand and supply of animals, market prices, government policies governing across the nation or for export can allow livestock owners and traders to improve their earnings from livestock sales. The current situation point to the importance of creating the necessary level of awareness for instance among livestock producers about buyers' preferences at the same time that market information is being relayed to them. Also improving general public awareness of national and county government policies will be useful to reduce ignorance of new policy provisions. The system of livestock marketing and entrepreneurship is still highly personalized. A personalized marketing system has high transaction costs. In addition, there are physical marketing costs, such as transportation and handling costs and various official and non official taxes that increases the overall cost of livestock trade. Reducing this costs through policy framework would go a long way to improve the performance of the MSEs in the livestock sector in North Eastern Kenya.

The findings that social and economic institutions have significant influence on the performance of micro and small enterprise is expected to generate much interest, particularly from the national and county governments. The general business environment in Kenya presents numerous constraints, much so to micro and small enterprises operating in rural settings. The responsibilities of both the national and county governments to formulate an enabling environment for micro and small businesses that may reduce the numerous challenges facing the operations of MSEs

have been discharged in the form of the national government establishing the Micro and Small Enterprise Authority, under the MSEA Act, 2012 and also most of the county government such as those of North Eastern Kenya forming County Trade Development and enterprise funds.

7.6.3 Practical Managerial Implications

This study is also useful for mangers of micro and small enterprises. Particularly with respect to entrepreneurship, social and economic institutions, and firm performance management. This study has four practical managerial implications. These are better management of micro and small business. This study has observed that one of the major constraints facing the MSEs is inadequate management skills. The second major constraints facing the firms in the industry are inadequate access to funding.

The managerial implication here is that the firms should form associations and join the existing SACCOs in the sector such as the USAID funded COFI. The third managerial implication is that very few of the firm are in the export sector. Whereas, the data of FAO 2014 online indicates Somalia exported live livestock valued US$ 360 million and Ethiopia exported livestock worth US$ 150 million, there were no figures available for Kenya. It is for this reason that this study has managerial implication for the firms in the sector to be export oriented if they wish to be bigger and stronger. The fourth managerial implication is that the study finds that majority of entrepreneurs in the sector have low human capital in terms of education and business skills training. Therefore the study has shown the relationship of these critical factors surrounding the performance of MSEs and suggested alternative approaches to addressing constraints arising from them, both at the firm level and in

the large context of the MSEs.

7.7 Suggestions for Further Research

This study recommends that future studies should investigate individual social and economic institutional variables that directly influence performance of MSEs (not investigated in this study) while taking into account contextually different settings of causation and effectuation as popularized by Sarasvathy(2001), that is resource constraints, uncertainty and dynamic business environment. The fact that 78.9% of the variables in the MSEs performance was explained by the three independent study variables in this study still leaves 21.1% unexplained. In other words, there are other additional variables within or outside these study themes – variables that are important in explaining MSEs performance that have not been considered in this study. Therefore further research is recommended to explain more of the variables in the performance of MSEs in livestock sector in North Eastern Kenya, given the dynamic, multidimensional and complex nature of entrepreneurship.

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APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

PART 1: PERSONAL AND CONTROL DATA

1.   Name of Enterprise _____

2.   Name of Respondent _____

3.   Gender of the Respondent   Male [   ]   Female   [   ]

4.   Marital Status Single [   ]   Married [   ] Others (specify)_____

5.   Location of the respondent business

     Garissa [   ] Wajir   [   ] Mandera [   ] Other specify_____

6.   Which   year   was   this   business   started? _____   Age   of

business_____

7. The actual present age of entrepreneur ……………………………..

8. i) Did you have any work experience before you started this business

    Yes [   ]   No [   ]

        ii) If yes, please explain………………………………

9.   What category of livestock business are you in………………………………

Camels [   ]   Cattle [   ]   Goats/sheep [   ] Other please specify…………

More than one category. Please specify……………………………

10.   What is your position in the business?

Owner/partner [   ]   Manager   [   ]   Employee [   ]

11.   Do you have an additional occupation?   Yes [   ]   No [   ]

12.   What is the legal form of your livestock business?

     Sole proprietor/ Family [   ]   Partnership [   ]   Ltd Company [   ]

13. Do you operate a Bank Account?   Yes [   ]   No [   ]

14. Do you have KRA PIN?   Yes [ ]   No [ ]

15. How many employees does the business have including the owner?_____

16. Indicate the extent to which you agree with this statement by circling the appropriate number

Formal education is very useful for livestock business success

Strongly agree   [   ]   agree [   ]   neither agree nor disagree [   ]

disagree   [   ]   strongly disagree [   ]

17.   What was the actual start-up cost of the business

Actual Kshs   [   ]

Less than Kshs,. 100,000   [   ]

In between Kshs. 100 and 500,000   [   ]

In between Kshs. 500,000 and Kshs. 1,000,000 [   ]

In between Kshs. 1,00,000 and Kshs. 5,000,000 [   ]

Over Kshs. 5,000,000   [   ]

18.   What are the changes in your sales of this year as compared to last year?

Decrease in sales   [   ]   No change in sales   [   ]

Slight increase in sales [   ]   Huge increase in sales   [   ]

19.   How did you acquire this business?

Founded through own initiative   [   ]

Founded through introduction by friend   [   ]

Founded through introduction by relative   [   ]

Inherited from parents/relatives   [   ]

Purchased   [   ]

Other specify ……………………………………………

20.   Where are your end customers of your livestock bu   300

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Export outside Kenya [   ]   Nairobi [   ]   Mombasa [   ]

Local in the same county   [   ]

Others specify ……………………………………………………………………

21.   What form of accounts do you keep?

       Book [   ]   Receipts [   ]   Others

specify_____

22.   Do you employ a book keeper? Yes [   ]   No [   ]

23.   i) In terms of physical assets, what kind of premises do you operate from?

Semi permanent premises   [   ]

Permanent premises   [   ]

Home   [   ]

Rental /leased   [   ]

Others place specify……………………………………………………………

24.   i)What kind of transport do you have for the business?

Motor bike   [   ]
Vehicles   [   ]
Pushcart   [   ]
None   [   ]
Other please specify…………………………………………………………………...

25.   i)Do you normally use written marketing or business plan for your livestock

business?   Yes [   ]   No [   ]

26.   i)Do you have any business link ages, contracts or association with large firms

in the industry such as KMC or Agriculture Finance Corporation of Kenya (AFC)?

Yes [   ]   No [   ]

  ii) If yes please explain?..

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27.   Indicate the extent to which you agree with following statement as they relate

to your business by circling the appropriate number against each using the scale given

Key: Strongly disagree [1]   Disagree [2] Neither agree nor Disagree [3] Agree [4]

Strongly agree [5]

	The Conditions	Scale				
		1	2	3	4	5
28.	I have a lot of confidence in my business abilities					
29.	I put much effort in getting information on livestock business.					
30.	I know and comply with all business regulations					
31.	It takes abundance of resources to operate this business.					

Rate the abundance of the following resources for your livestock business.

	The Conditions	Scale				
		1	2	3	4	5
32.	Capital resources are quite plentiful					
33.	Skilled employees are quite plentiful					
34.	Livestock supplies are plentiful					
35.	Credit / loan availability are plentiful					
36.	Helpful social networks within/ outside the county are plentiful					

Please circle the number in each scale that best approximates the actual conditions in it.

Key: Strongly disagree [1]   Disagree [2] Neither agree nor disagree [3] Agree [4] Strongly agree [5]

	The Conditions	Scale				
		1	2	3	4	5
37.	I work more than 10 hours per day					
38.	I will never give up this business regardless of failure					
39.	I greatly plan my next move in this business					
40.	I take bold and wide ranging act for the business.					
41.	Majority of livestock business people belong to different ethnic groups.					
42.	The business receives a lot of support from family / kinship					
43.	We engage in very high social capital seeking behaviour for resource mobilization.					
44.	We are members of varied groups with strong bonding ties.					
45.	I have (owner) network of individuals who I trust to bring information/ideas.					
46.	I attend many diverse business meetings outside of my industry/county.					
47.	I initiate meetings with people outside of my livestock industry to spark new ideas or customers					
48.	I have a large network of contacts with whom I frequently interact to get contacts / ideas for new customers or financial capital.					
49.	More social networks means better business performance					
50.	I have acquired transport, premises, holding ground and other necessary assets for my livestock business.					
51.	I give the necessary veterinary services to my animals					
52.	I perceive this business as the most socially desirable					
53.	The future of livestock business is very bright.					
54.	There is high level of trust as a business practice in the sector.					

55.   What is your level of formal Education?

        0 None

        1 Some primary, please specify standard………………………

        2 Competed primary school……………………………..…….

        3 Some secondary school……………………………..…………

        4 completed secondary school………………………………….

        5 "A" level

        6 College

        7 University

        8. Duration of entrepreneurship training   Formal ……….. Informal

………….

56. How many years of experience do you have in this particular business?…………

57. Were your parents or any other of your relatives in livestock business?

        Yes   [ ]   No [ ]

58. i) Do you own any other business not directly related to livestock business

        Yes   [ ]   No [ ]

PART 4: H$_3$: SOCIAL INSTITUTIONS

Please circle the number in each scale that best approximates the actual conditions in

it.

59. I am a member of the following social groups

60.   In percentage terms, how much of your business do you sell on credit per

every 12months? Explain……………………………………………………………….

61.   What percentage of credit sales do default the terms of your business per 12

months?..

62.   How much of total bad debt do you have in Kshs in every 12 months?…….

63.   When we have trade or debt disputes we settle by the following means

64.   How much of total bad debt do you have in Kshs in every 12 months?

…………

65.   When we have trade or debt disputes we settle by the following means

Law courts   [   ]

Khadhi courts   [   ]

Informal through community elders   [   ]

All the three above apply   [   ]

Specify _____   [   ]

PART 5: H₄: ECONOMIC INSTITUTIONS

Please tick ($\sqrt{}$) the number in each scale that best approximates the actual conditions in it.

Key: Strongly disagree [1]   Agree [2] Neither agree nor disagree [3] Agree [4]

Strongly Agree [5]

		Scale				
	The Conditions	1	2	3	4	5
66.	I am a member of a very strong livestock business association.					
67.	The economic institutions are dynamic and supportive.					
68.	There is much trust and honour among business community in the sector.					
69.	I am a member of financially strong SACCO.					
70.	The local banking institutions grant loans to us.					
71.	There is strong need for establishing Livestock Development Fund.					
72.	We get a lot of financial/ non financial support from the National					

	Government.					
73.	We get a lot of financial/ non financial support from the County Government.					
74.	There are many business failures in this sector.					
75.	It is easy to borrow money from my social friends.					
76.	Majority of my customers pay their purchases by cash.					
77.	I am satisfied with the size of my livestock business.					
78.	In this business our performance is above average.					
79.	The products of different firms are also different.					
80.	Options for competition in these businesses are many.					
81.	The firms in the industry are price setters.					
82.	There are no stiff rivalries within the livestock business in the region.					
83.	There are many large buyers of livestock within and without the region.					
84.	Many livestock MSEs form alliances / collusions to achieve economy of scale.					
85.	County / National laws and regulations in the sector are very supportive.					

86.   What was the source of your start –up finances?

- Personal savings   [ ]

- Family specify   [ ]

- Friends   [ ]

- Borrowing   [ ]

- Bank Loan   [ ]

Other specify…………………………………….

87.   On a scale of 1-7 indicate to what extent are the following risk and constraining factors to your livestock business performance.

Key: Strongly disagree [1]   Disagree [2] Neither agree nor disagree [3] Agree [4]

   Strongly Agree [5]

	ITEM	1	2	3	4	5
88.	Insecurity					
89.	Lack of financial capital					
90.	Lack of market					
91.	Poor business skills					
92.	Poor infrastructure e.g. roads					
93.	Inhibitive legal matters					
94.	Lack of effective national government support					
95.	Lack of effective county government support					
96.	Insecurity of land tenure					
97.	Lack of family social support					
98.	Livestock diseases					
99.	Drought					
100.	Others (Specify) …………………………………					

How do you rate the growth and profitability of your business during the past five years?

Key: Strongly disagree [1]   disagree [2] Neither agree nor disagree [3] Agree [4]

Strongly Agree [5]

No.	The Conditions	Scale				
		1	2	3	4	5
101.	There has been very high growth in the past five years?					
102.	Profit to sales ratio has been very high, plus 50%					
103.	There has been very high customer satisfaction					
104.	There has been high level of satisfaction among employees.					
105.	I greatly like everything about my business.					
106.	We emphasize long term (over 5 years) goals, dreams and strategies for the business.					

Focus group discussion items

1. Who are your suppliers of livestock or products?……………………………..
……………………………………………………………………………………
……………………………………………………………………………………

2. What motivated you to start and run this business?...........................
……………………………………………………………………………………
……………………………………………………………………………………

3. Please mention five business persons behaviors in order of importance that you think affect positively performance of the business. ……………………………..
……………………………………………………………………………………
……………………………………………………………………………………

4. Also mention five entrepreneurial behaviors in order of importance that you think affect negatively performance of the business. …………………………………..
……………………………………………………………………………………
……………………………………………………………………………………

5. What makes livestock business highly satisfying for you?...............
……………………………………………………………………………………
……………………………………………………………………………………

6. What makes livestock business very challenging and frustrating?.................
……………………………………………………………………………………
……………………………………………………………………………………

7. Give specific incidences of success, wins, losses and failures in this business, county, inter-county trade and exports.
……………………………………………………………………………………
……………………………………………………………………………………

8. How have you addressed institutional limitations?...
……………………………………………………………………………………
……………………………………………………………………………………

9. Any final remarks ……………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

Thank you very much for your time and contributions

APPENDIX II A: TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cum. %	Total	% of Variance	Cum. %	Total	% of Variance	Cum. %
1	9.491	19.772	19.772	9.491	19.772	19.772	6.113	12.735	12.735
2	4.427	9.223	28.995	4.427	9.223	28.995	3.074	6.405	19.140
3	2.627	5.472	34.467	2.627	5.472	34.467	2.945	6.136	25.277
4	2.392	4.984	39.450	2.392	4.984	39.450	2.630	5.479	30.756
5	2.225	4.635	44.086	2.225	4.635	44.086	2.503	5.214	35.969
6	2.128	4.434	48.520	2.128	4.434	48.520	2.451	5.107	41.076
7	1.855	3.865	52.385	1.855	3.865	52.385	2.423	5.048	46.125
8	1.816	3.784	56.169	1.816	3.784	56.169	2.336	4.867	50.992
9	1.484	3.092	59.261	1.484	3.092	59.261	2.315	4.823	55.816
10	1.281	2.668	61.929	1.281	2.668	61.929	1.813	3.777	59.593
11	1.245	2.594	64.524	1.245	2.594	64.524	1.656	3.450	63.043
12	1.156	2.408	66.932	1.156	2.408	66.932	1.464	3.051	66.094
13	1.141	2.377	69.309	1.141	2.377	69.309	1.352	2.816	68.911
14	1.038	2.162	71.471	1.038	2.162	71.471	1.229	2.561	71.471
15	.992	2.066	73.537						
16	.974	2.030	75.567						
17	.928	1.933	77.500						
18	.822	1.712	79.212						
19	.773	1.610	80.822						
20	.751	1.564	82.386						
21	.683	1.422	83.808						
22	.661	1.377	85.185						
23	.613	1.277	86.462						
24	.567	1.182	87.644						
25	.530	1.105	88.749						
26	.485	1.010	89.759						
27	.467	.974	90.733						
28	.420	.875	91.608						
29	.407	.848	92.455						
30	.398	.829	93.285						
31	.372	.774	94.059						
32	.357	.743	94.802						
33	.308	.641	95.443						
34	.290	.603	96.047						
35	.264	.549	96.596						
36	.242	.504	97.100						
37	.221	.460	97.560						
38	.192	.400	97.960						
39	.158	.329	98.290						
40	.146	.305	98.595						
41	.121	.253	98.848						
42	.113	.236	99.084						

43	.107	.222	99.306
44	.096	.201	99.506
45	.084	.175	99.682
46	.069	.143	99.824
47	.063	.130	99.955
48	.022	.045	100.000

Extraction Method: Principal Component Analysis.

Component Matrix

Component Matrix[a]

	Component													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
I greatly plan my next move in this business	.760	.208	.092	-.174	-.072	-.356	.046	.065	-.134	-.011	-.023	.067	-.125	-.072
The products of different firms are also different.	.759	.233	-.101	.018	-.056	-.149	-.159	.089	-.063	.091	.123	-.187	-.132	-.136
The future of livestock business is very bright.	.747	.070	.137	.143	.060	.092	-.085	-.240	-.246	.057	.118	.042	.136	-.044
I will never give up this business regardless of failure	.725	.023	-.025	-.100	-.181	-.222	-.146	.045	-.035	.015	.155	-.087	-.148	.050
I know and comply with all business regulations	.687	.173	.144	.037	.080	.304	.091	-.106	-.122	.046	-.085	-.020	-.122	
I take bold and wide ranging act within the business	.644	.287	-.097	-.186	-.069	-.226	.160	.271	.019	-.103		-.011	-.155	.027
Options for competition in these businesses are many.	.635	.278	.160	.020	-.213	.025	-.387	.102	.054	.180	-.289	-.195	.073	-.056
I put much effort in getting information on livestock business	.617	-.149	.129	-.199	-.112	.236	.372	.202	-.057	-.108	-.183	.132	.142	
Majority of livestock business people belong to different ethnic groups	.600	.068	-.064	-.220	-.105	-.347	-.112	-.189	-.023	-.091	.220	.050	.093	.021

There is high level of trust as a business practice in the sector.	.594	⁻.020	-.056	-.184	.119	-.110	.280	-.076	.077	.107	-.158	.042	.141	-.095
I work more than 10 hours a day	.574	⁻.236	.392	.149	.140	-.276	-.260	.020	-.271	.102	.089	⁻.100	-.086	-.074
I have (owner) network of individuals who I trust to bring information/ideas.	.574	.072	-.160	-.062	.079	-.150	.081	-.322	.228	.250	-.072	⁻.044	.274	-.057
I perceive this business as the most socially desirable	.548	.161	-.027	.017	.038	.049	.027	.061	-.230	-.295	-.024	.180	.177	-.046
I have alot of confidence in my business abilities	.543	⁻.361	.089	-.101	-.152	.146	-.018	-.046	.289	-.181	.021	.085	.098	-.038
Rate abundance - Helpfull social networks within county are helpful	.533	⁻.361	-.170	.067	.264	-.235	.015		.120	.155	.053	.040	-.056	-.067
I am a member of a very strong livestock business association.	.507	.356	-.128	.306	.356	.131	-.098	-.179	-.146		-.139		-.144	.027
There is much trust and honour among business community in the sector.	.501	⁻.060	.026	.151	-.204	-.242	.246	.291	.272	-.107	-.022	.094	-.172	.054
we are members of varied groups with strong bonding ties	.496	.123	-.205	-.223	-.058	.039	.017	-.178	.494	-.013	.032	⁻.049	-.164	.169
The business receives a lot of support from family/kinship	.473	⁻.433	.465	.093	.330	-.156	.039	-.041	.022	.038	-.035	⁻.123	-.071	.148

I attend many diverse business meetings outside of my industry/county.	.472	-.255	.262	.124	.410	-.275	.180	.266	.073	-.010	-.093	.083	.010	.025
Majority of my customers pay their purchases by cash.	.442	-.370	-.037		-.292	.406	-.128		.252	-.140	.146			.168
I am satisfied with the size of my livestock business.	.436	-.641	.181	-.114	.031	.166	-.101	.148	-.025	-.052	.202	-.047		-.132
The firms in the industry are price setters.	-.120	.561	.357	.033	-.199	.016	.094	-.382	.068	-.045	.272		-.266	.052
We get a lot of financial/ non financial support from the County Government.	.058	.557	.273	.035	.291	.084	-.160	.291	.248	-.055	.265	.123	.024	-.076
It takes abundance of resources to operate this business	.446	.541	.100	-.048	.045	.096	.221	-.165	-.049	.024	-.120	-.070	.106	.109
We get a lot of financial/ non financial support from the National Government.	-.045	.535	.211	-.077	.396	.134	-.152	.355	.399	-.046	.081	.075	.082	-.035
It is easy to borrow money from my social friends.		-.477	.464	.043	-.126	.264	-.187	-.201	.213	.062	.245	.068	-.076	.023
Livestock supplies are plentiful	.371	-.386	-.183	-.273	-.222	.041	.182	-.012	-.173	.122	-.136	.249	.100	.137
I initiate meetings with people outside of my livestock industry to spark new ideas or customers	.326	.376	-.039	.150	.026	.362	.230	-.038	-.093	-.052	-.015	.329	.017	.039
capital resources are quite plentiful	.392	-.339	-.522	.236	.381	.218	-.013	.150	-.079	.087	.047	-.049	-.030	.062

I have acquired transport, premises, holding ground and other necessary assets for my livestock business.	-.135	-.427	.503	-.145	.016	.215	.224	.261	-.043	.033	-.133	-.031	-.052	.195
There are no stiff rivalries within the livestock business in the region.	.387	.264	-.490	.110	-.030	.040	-.082	.096	.285	.051	.195	.085	.227	.026
skilled employees are quite plentfull	.301	-.454	-.455	.257	.299	.269	-.069		-.050	.157	.213	-.083	.057	-.010
The economic institutions are dynamic and supportive.	.162	.044	.222	.845	-.302	-.027	.078	.050	.086	.014	-.102		.077	-.080
There is strong need for establishing Livestock Development Fund.	.203	.071	.093	.814	-.401	-.088	.108	.154	.058	-.030	-.049		.065	-.025
The local banking institutions grant loans to us.	-.214	.347	.293	-.207	.485	.126	-.040			.075	-.145	.075	.098	-.204
Composite Performance	.382	.248	-.215	-.065	-.072	.454	.034	.201	-.024	-.083	-.050	-.116	-.099	-.070
I give the necessary veterinary services to my animals	.359	-.130	.063	-.078	-.102	.373	.188	-.016	-.209	-.191	.226	-.053	-.070	-.355
In this business our performance is above average.	.186	.114	.140	-.107	-.296	.269	-.571	.272	-.025	.111	-.328	-.131	.251	-.019
County / National laws and regulations in the sector are very supportive.	-.209	.179	.119	.102	.125	.121	.563	.247	.026	.137	.273	-.326	.059	-.143

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
More social networks means better business performance	.346	.135	.333	.014	-.033	.138		-.480	-.041	.095	.158	.213	.232	-.057
There are many business failures in this sector.	.063	.133	.113	-.392	-.296	-.044	-.029	.402	-.209	.273	.356	-.029	.172	-.016
Credit/loan are plentfull	-.104	-.085	.032	.069		.218	-.011	.016	.101	.635	.011	.173	-.193	-.097
Many livestock MSEs form alliances / collusions to achieve economy of scale.	.144	-.088	-.016	.056	.231	.047	-.420	.121	-.093	-.259	-.038	.450	-.283	.028
I have a large network of contacts with whom I frequently interact to get contacts / ideas for new customers or financial capital.	.322	-.279	.195	-.139	.199	.077	.026	-.265	.322	-.207	-.227	-.340	.043	-.074
We engage in high social capital seeking behaviour for resource mobilization	.368	.313		-.115	-.069	.293	.075		-.074	.269	-.107	-.098	-.424	.325
I am a member of financially strong SACCO.	.020	.015	.211	.079	.096	-.102	.023	.107		.208	.132	.216	.279	.508
There are many large buyers of livestock within and without the region.	.098	.205		.116	.214	.089	-.091		-.234	-.285	.185	-.380	.200	.458

Extraction Method: Principal Component Analysis.

a.   14 Components extracted

APPENDIX II B (SECOND ORDER EXTRACTION) TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.470	22.023	22.023	9.470	22.023	22.023
2	4.409	10.253	32.276	4.409	10.253	32.276
3	3.240	7.536	39.811	3.240	7.536	39.811
4	2.523	5.866	45.678	2.523	5.866	45.678
5	2.108	4.901	50.579	2.108	4.901	50.579
6	1.870	4.349	54.928	1.870	4.349	54.928
7	1.611	3.746	58.673	1.611	3.746	58.673
8	1.449	3.370	62.044	1.449	3.370	62.044
9	1.287	2.994	65.037	1.287	2.994	65.037
10	1.116	2.595	67.633	1.116	2.595	67.633
11	1.094	2.544	70.177	1.094	2.544	70.177
12	.942	2.190	72.367			
13	.921	2.141	74.508			
14	.884	2.056	76.564			
15	.790	1.837	78.401			

Extraction Method: Principal Component Analysis.

APPENDIX III: FIELD REPORT

Notes on Field Research Methodology Process of the Study

Following the approval letter of Board of Postgraduate Studies of the University of Nairobi dated June 12, 2014, for full registration for the degree of Doctor of Philosophy in the School of Business, a programme was set out to conduct field research to undertake interviews and data collection using semi-structured questionnaire in Garissa, Wajir and Mandera Counties of North Eastern Kenya. This field research was conducted in a period of 45 days from July 5th to 18th August, 2014 – covering the three counties. The field research was undertaken by the researcher and at each of three counties assisted by four local graduate research assistants. The field research started in Garissa County on Saturday, July 5th, 2014 following a strict time table and ended in Mandera County on 18th August 2014.

In Garissa County, the researcher arrived in Garissa on the evening of Friday 4th July 2014. On the following day, he called an old friend who is also a long time livestock trader in Garissa (photo in the appendix IX). The old friend named, Mr. Mohamed, 'PTC' helped the researcher to contact very important networks of livestock traders, government officials-both of national government and the county. On Sunday the 6th July, the researcher was able to meet 9 key livestock traders and by Monday the 7th he was also able to visit the offices and meet officials of the ministry of Agriculture, Livestock and Fisheries and introduce himself and his reason for being in Garissa County for the week beginning on 7th July 2014. The researcher got four local graduates research assistants with the help of a lady official with a local SACCO called COFI SACCO Society Ltd. COFI stands for Community Owned Financial Initiative and is mainly assisted by USAID.

Community Owned Financial Initiative, Savings and Credit Cooperative or Organization Society Limited (COFI SACCO Ltd) was registered in 2005 under Kenya's cooperative societies Act of 2004. COFI SACCO Society Ltd has a board of Directors of seven, four men and three women. The directors are also members of the SACCO. COFI SACCO has branches in a number of other counties and these include the counties of Wajir and Mandera. USAID helped the SACCO with grant of a revolving fund paid for their offices in Garissa, Ijara, Wajir, and Mandera and others

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and the SACCO furniture, computers and employed for them the staff since May 2012. There was a general agreement between the COFI SACCO and the USAID that USAID will sponsor to pay for the operational costs of the SACCO for fixed period of 3 years and thereafter they will re-evaluate their progress and viability with the aim of ensuring the COFI SACCO becomes financially independent and strong. As on Thursday 9th July 2014, COFI had 780 individual members in Garissa County and 40 group members. The cooperative has (Imarika na COFI Mifugo) products available exclusively to micro, small and medium-sized enterprises (MSMEs). "These loans as financial capital are used to improve the MSME's performance and contribute to its economic growth in terms of products /services, market extension and job creation." Loans are repayable from 12 to 36 months depending on the credit type. The work of Cofi SACCO was well coordinated with those of the Ministry of Livestock and another government support association called County Livestock Marketing Council of Kenya.

Garissa County Livestock Marketing Council is an extension of Kenya Livestock Marketing Council (KLMC) which is a private sector non-profit making NGO established in 2000. KLMC is an umbrella organization for livestock traders, producers, user association and other interested stakeholders in arid and semi-arid areas of Kenya. KLMC has offices in Nairobi and regional offices in what they describe as 'the four axis – Northern, North western, North Eastern and Southern'. The National Ministry of Livestock Development gives the county livestock marketing councils offices spaces and other assistances in their premises in the county headquarters. Therefore at Garissa on Wednesday 7th July, 2014 was a market day for livestock – camels and cattle. Goats and Sheep have no specific market-days. The four categories of livestock traded at these registered county markets are cattle, camels, sheep, goats and donkeys. The livestock are categorised as male, female and either mature, middle or young. On that day 7th July 2014, the prices were averaging about Ksh 65,000 for camels, Ksh 30,000 for cattle, Ksh 6,500 for sheep, Ksh 6,500 for goats and Ksh 14,000 for donkeys.

During the following three days 8th – 11th July 2014, I had intensive discussion with my four research assistants on how best to get respondents to fill the questionnaires and also visited the county government livestock offices, some farms along River

Tana and the local abattoirs. The officers of Garissa livestock marketing council informed us that they had 145 small and micro livestock enterprises registered with them. The officers of the Ministry of Livestock, the County officials, the revenue clerks and even the officials of COFI SACCO all agreed that the figures given by the livestock marketing council chairman and secretary were fairly accurate. I therefore used this figure of 145 MSMEs as the population of the study. This study was using the census method. I therefore decided that together with my four assistants, to approach the owners of these 145 MSEs individually. I also had a focus group discussion with five officials of the county livestock marketing councils, four MSEs owners and two officials each from the Ministry of the livestock at the County levels, COFI SACCO and of the Garissa County Government, all totalling to 13 persons.

I stayed in Garissa from 5th July to Monday 14th July 2014. We were able to get 28 MSEs in those 9 days. I then left for Wajir County where I stayed from Thursday 17th July to Saturday 26th July 2014. While I was in Wajir I asked my research assistants in Garissa to continue with the data collection process and by 18th August 2014, they were able to get the responses of additional 42 MSEs owners, all adding to 79 respondents, out of 145 MSEs a response rate of 48 per cent. The research assistants did a great job and we were all supported by the local leaders in all sectors who were always very cooperative after having being satisfied with our noble academic purpose and seen our letters from the University of Nairobi concerning the research.

However, the Data collection process was not without challenges in Garissa. When we went to the market on the 7th of July, which was a market day, it was easily noticeable that the activities were a lot suppressed. The number of trucks from Nairobi and other places to pick cattle, goats and sheep were relatively few, about 15. Normally we were told at a peak time some 38 trucks would be there. Additionally about 1,200 cattle were brought to the market on that day while on average the market handles about 3,500 - 5,300 heads of cattle per market day during good times. In a personal communication, the chairman of Garissa County Livestock Council informed that smallholders livestock producer's account for 90 percent of beef cattle, 97 percent of goats, 92 percent of sheep and 100 percent of camels. There were only handful of goats, sheep, and very few camels. The market is composed of a large enclosure divided into sections: one section for cattle, with loading ramps, water bay

and places for offloading grass. Sections of the people who trade in livestock feeds bring in donkeys with loads of grass and sell to the livestock traders, another section for goats, sheep and another for camels. There are also numerous kiosks to support the market day. This suggests that there are multiple layers of traders who depend on the livestock market for their livelihood. Traders gave a number of reasons for what appeared to be "a poor livestock business month". They said the first problem was poor demand for livestock products from the end consumer markets in Nairobi and Mombasa. If the demand was low in the end markets, the prices were down and supply would be suppressed.

The second was insecurity. During the months of June, July, August 2014, there was curfew in Garissa County and there was general fear because of the threats and incidences of Al Shabab-related terrorist attacks, and the issue of Kenya's Defences Forces in Somalia. This state of general insecurity had dampened the livestock trade activities. Often livestock supply into Kenya was coming from Jubaland in Somalia. However, the insecurity and the conflicts that were ongoing in the region, was badly affecting the livestock sector, thus the performance of the MSEs was below average in the month July, August, 2014. The traders also talked of the negative effects of the climate. There was general failure of the expected rainfall and this impacted on the quality of the animals and their prices. There was a feeling that poor rainfall was being expected until November 2014.

Having left behind my four local research assistants in Garissa County to continue with the data collection, I proceeded to Wajir County and began work there from 17th July to 26 July 2014. In Wajir my contact person was a lady who worked with Wajir livestock marketing council. The lady worked with the Ministry of Agriculture and Livestock for about 12 years before leaving and began running her small textile business. She was now working also with the local Livestock Marketing Council and kept their records both in hard copies and in computer hard disc. I was able to get four graduate research assistants. With the help of my contact lady and research assistants, in those 9 days from 17th July to 26 July 2014, I was able to meet and discuss my research objectives and other related issues with the key players in the livestock sector in Wajir County. They call Wajir "Camel Capital of Kenya" because of having the largest population of camels in the country, about 600,000 herds of camels, almost

coming to 0.9 per person in Wajir County with a population of about 640,000 (Population census 2010).

The key people we interviewed and had detailed discussions included one member of County Assembly of Wajir (MCA) who was very focal on livestock policies, markets and issues in the county, the Executive Officer (county Cabinet Member) in charge of Agriculture and livestock dockets and his chief officer, four long time livestock traders, the chairman and the secretary of Wajir county livestock marketing council and the manager of COFI SACCO, Wajir branch. As a method of pilot pretesting method of the questionnaire, we requested for a special meeting with eight traders in a seminar room in a local hotel. Here I introduced to them the purpose of the study after they had some refreshment. The meeting lasted for five hours. With the help of my assistants, eight of the livestock traders filled the questionnaires.

The questionnaires were translated to them in the local language and they cooperated very well. There was little misunderstanding of the questionnaire by the eight respondents. They asked as was in Garissa and even Mandera, "since we do not have time to spare from our businesses, will you pay us? How will helping you fill your questionnaires help us or benefit us?" This was a standard question by the MSEs owners.

We explained to them that this was a University Academic project, which would benefit the livestock sector in the long and medium term. That in fact their time was valuable and their contribution to this study. That it was difficult to compensate them for their time and ideas and that the researcher and his team would be most appreciative for their contributions. They agreed to participate in the interviews. In Wajir, there was incidents of insecurity related with Al-Shabab, bomb blasts and inter-clan conflicts which heavily affected the supply and trade of livestock in the county. This insecurity and clan conflict was extending to Mandera County. The climate was also causing concern as the livestock traders were expecting long-term drought from July 2014 to November/December 2014, if the December rains were also to fail. The prices of livestock in Wajir County were also similar to those of Garissa County. However, the weekly sales of livestock in both Mandera and Wajir counties were comparatively lower than those of Garissa. Garissa was better supplied

with livestock and was strategically linked to Nairobi, Mombasa and External markets in the Middle East. The chairman and secretary of Wajir livestock Marketing Council informed us in their records there were 78 current members who were registered as micro and small business (see sample of names in the appendices). Just like in the cases of Garissa County, I asked my research assistants to proceed with the data process of data collection and by 18th August 2014, they were able to obtain responses from a total of 58 MSEs owners. Out of 78 MSEs, a response rate of 74 percent. My research assistants did an admirable job and received good supportive from all the stakeholders. I proceeded to Mandera County where I started from Tuesday July 2014 to August 18, 2014 to complete the data collection exercise. I was in Mandera County for three weeks. Three entrepreneurship challenges facing MSEs in the livestock sector in Wajir County that were frequently cited were, first high capital input and very few marketing groups in the sector, second high taxation accruing from the County government numerous regulations and many other charges including transportation, veterinary licence, night travel ban and other related hidden charges. Thirdly, inadequate start-up capital for livestock businesses, and lack of incentives.

During our stay in Mandera County from July 29th to August 18th 2014, I and my four local graduate research assistants were helped by a number of key people as were both cases in Garissa and Wajir counties. First, I got the contact of local MCA who was very conversant with the livestock trade, distribution and population of livestock and challenges facing the sector. We met the MCA on 31st July 2014 and he also introduced us to the county Executive Officer and his chief officer who were in-charge of the Agriculture and livestock docket in the county. They gave us some important secondary and personal communication which was important to the study. We attended the livestock market day on Wednesday 30th July and again on 6th August 2014. The prices were about the same as were in Garissa and Wajir. However, the mature male camels were going for Kshs 89,000/= higher than those of Garissa and Wajir. We were told that supply was limited because of the clan conflicts that was in progress in larger parts of the county and that the majority of livestock owners moved across into Ethiopia side of the boarder for safety with their livestock. Thus there was shortage of camels, cattle, goats and sheep in the livestock market. The Al-Shabab related insecurity was also affecting supply and the performance of the MSEs.

"The business was very down in June, July and August and the future was not bright" traders said appearing unhappy.

We met with the chairman and secretary of Mandera county livestock marketing council, Equity Bank Manager, in Mandera who was familiar with the performance of the MSEs, the manager of COFI SACCO in Mandera, an officer of the Ministry of Agriculture and livestock of the National and finally owner managers of MSEs. These officials cited seven challenges facing MSEs in the livestock sector. These are, one, lack of marketing facilities, two drought, three, frequent diseases, outbreak and quarantine conditions due to nonexistent veterinary services, four, lack of slaughter houses that meet international standards, five subsistence rather than commercial oriented marketing and production and, six lack of state support, no marketing policies, no breeding trade improvement, no land tenure and, seven theft and conflicts. As an example traders informed us that just in July - August some 850 camels were stolen worth about Ksh 85 million from one section of the local community and moved into Ethiopia. This was creating supply problems for the traders in Kenya Wajir, and Garissa.

The officials of Mandera Livestock Marketing Council gave us a list of the MSEs registered with them (a sample of the list is in the appendix IV) and said the current list as at 30th July 2014, had 82 MSE members. I and my four research assistants approach the owners of these MSEs individually and sometimes in a group of four to five. From 30th July 2014 to 18th August, we were able to get the positive response of 63 out of 82, making a response rate of 77 percent. In total the population of MSEs in Garissa, Wajir and Mandera was 305 and we got the response of 191, a response rate of 63 percent (see preliminary survey report). The response rate was encouraging.

The challenges experienced during the 45 days of data collection period was, first the huge size of the area, Garissa, Wajir and Mandera (some 130,000 square kilometres). I went to Wajir and Mandera by air and to Garissa by road. I flew from Mandera to Nairobi on 18th August, 2014 by air. The air ticket, one way was Ksh 21,000. The other challenge is the technical nature of the questionnaires and making them simple without losing the objectives and "sophistication of the study at a PhD level". Therefore time and finance were pressing, factors besides insecurity in the region

from terrorism related fears. Majority of the traders lack even primary level of education and thus it is not easy for them to appreciate the purpose of research. They always ask" how will this benefit us?"

In conclusion, therefore, the empirical data of this study is composed of the face-to-face interviews with 191 livestock MSEs in the livestock sector in North Eastern Kenya conducted in July /August 2014 – in Garissa, Wajir and Mandera. Pilot interviews with 8 MSEs was done, in each of the three counties few days before the main interviews. Wide consultation was also undertaken with key players to have a feeling for their situations and opinions. The study was census design and response was 63 percent out of 305 MSEs. Census design was selected because this method had more advantages over sampling survey design as the MSEs were not very many and their turn-over was high in terms of failure rates. Sample surveys have advantages of economy and conveniences. Nevertheless, sample surveys have disadvantages such as interview bias, selection bias and advance selection. The census survey has more advantages over survey sample if the population is not very large. It is for this reason that this study opted for census and not sampling survey design, which even has elements of "stratification arbitrariness." Population design approach further has the additional benefit of making follow-up interviews in many circumstances unnecessary (Saunders, et al. 2008).

Follow-upfield study interview was done in three phases from 21st September 2014 to 10th October 2014 for the MSEs operating in Garissa, first phase, from 1st November to 17th November 2014 for those located in Wajir County as second phase and from 2nd January to 20th January 2015 for those in Mandera County as the third and final phase. The follow-up work covered a period of 58 days an average of 19 days per County. The cost of the field per phase was about Ksh 218,000, all adding to about 654,000/= for the three phases combined. The costs were covering stipends for four research assistants, a participant incentives, security, stationery, transport hires, field, food, accommodation and contingencies. Greater part of the cost of the field follow-up work was graciously paid by friends who appreciated highly the value of the study. On January 20th, 2015 the researcher completed the final phase of the follow-up work in Mandera County and on that day arrived in Nairobi from Mandera by air. While in Mandera on 18th January, 2015 the researcher felt ill with severe Malaria "Degu Fever" and when he arrived in Nairobi on 20th January, 2015 he was hospitalized in Nairobi West Hospital for a period of one week until 27th January, 2015. The doctors advised him to rest, take painkillers and a lot of water for the following three weeks until 21st February 2015. Issues of health, security, long distance and climate are matters which researchers have to consider when they intend to undertake a study of this scale and scope.

APPENDIX IV: LIVESTOCK MARKET NETWORK:

Primary, secondary and terminal markets
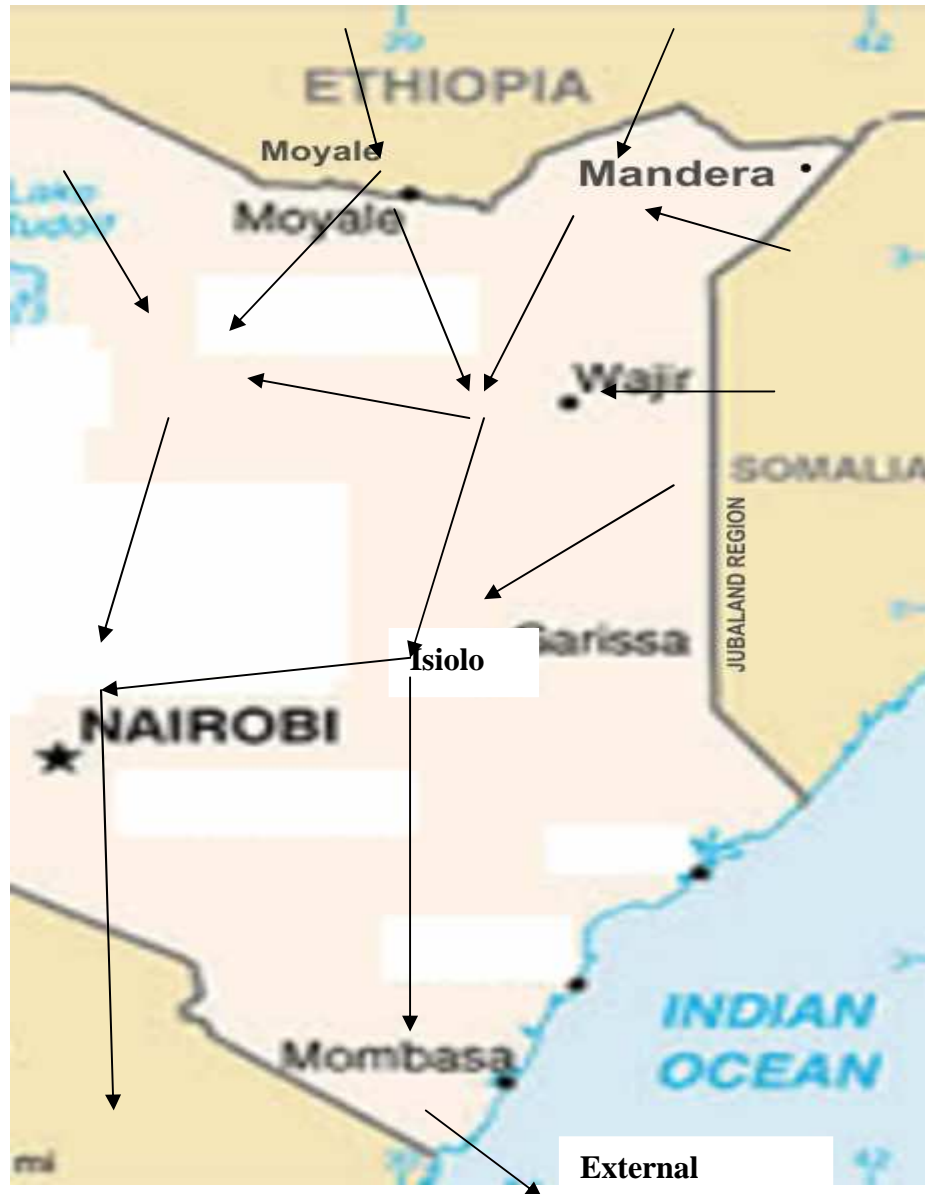
APPENDIX V: LIST OF MSES

Hassan Mohamed Dawane	Garissa	26.07.11
Yussuf Warsame Gelle	Garissa	01.08.11
Fathadha Noor Yussuf	Garissa	01.08.11
Mogai Farah Elmoge	Garissa	01.08.11
Saadia Abdullahi Maigag	Garissa	01.08.11
Abdisalan Abdullahi Maigag	Garissa	01.08.11
Deyman Abdullahi Noor	Garissa	04.08.11
Abshiro Mohamed	Garissa	04.08.11
Farhiya Yussuf Abdullahi	Garissa	05.08.11
Haretha Hassan Ibrahim	Garissa	08.08.11
Habiba Hassan Ibrahim	Garissa	08.08.11
Habiba Abdi Ahmed	Garissa	08.08.11
Halima Abdi Ahmed	Garissa	08.08.11
Kamila Mohamed Aden	Garissa	10.08.11
Habiba Daghan Mohamed	Garissa	10.08.11
Nasri Mohamed Dore	Garissa	10.08.11
Halima Dhoba Mohamed	Garissa	10.08.11
Habiba Garad Dagane	Garissa	10.08.11
Fatuma Yale Mohamed	Garissa	10.08.11
Suldano Bulle Abdi	Garissa	10.08.11
Dahabo Ahmed Jimale	Garissa	10.08.11
Jelle Yussuf Garane	Balambala	17.10.11
Ali Abush Horor	Balambala	17.10.11
Mohamed Hassan Omar	Balambala	17.10.11
Aden Hassan Mumin	Balambala	17.10.11
Mohamed Abdi Abdullahi .	Balambala	17.10.11
Abdullahi Ahmed Issack	Balambala	17.10.11
Mohamed Shale Mumin	Balambala	17.10.11
Zeinab Yarrow Aress	Balambala	17.10.11

Koran Sheikh Abdi	Balambala	17.10.11
Siyad Abdullahi Ahmed	Balambala	17.10.11
Hassan Mohamed Korane	Balambala	17.10.11
Abdulahi Abdi Sheikh	Balambala	17.10.11
Osman Sugow Aden	Balambala	17.10.11
Adan Dekow Dahir		05.12.11

Dathal Group Water Pan	Welmarer		Corporate	Reg	04.01.11	8670
Garissa Ndogo Camel Self Help Group	Township		"	Renewal	05.01.11	8671
Gaff Farmers Self Help Group	Raya		"	Reg	11.01.11	8672
Bulla Riig Nyirinyiri Women Group	Bulla Riig		"	Reg	21.01.11	8673
Garissa Livestock Marketing Association	Waberi		"	Renewal	24.01.11	8674
Garissa Camel Milk Mini Diary	Township	Milk Vendors	"	Renewal	25.01.11	8675
White Eagles Football Club	Township		"	Reg	25.01.11	8676
Warsan Women Group	Shimbirey		"	Reg	26.01.11	8677
Northern Livestock Trading Development	Bula Argi		"	Reg	26.01.11	8678
Egan Women Group	Central		"	Reg	26.01.11	8679
Kalson Livestock Women Group	Waberi		"	Renewal	27.01.11	8680
Bulla Riig Solidarity Women Group	Bulla Riig	L/ Marketing	"	Renewal	27.01.11	8681
Ayan Women Group	Waberi	Nyirinyiri	"	Reg	28.01.11	8682
Damaka Livestock Marketing Group	Bura		Corporate	Renewal	31.01.11	8683
Kamuthey Livestock Women Group	Waberi		"	Renewal	31.01.11	8684
Dujis Market Women Group	Township		"	Renewal	31.01.11	8685
Gubis Youth Group	Fafi- Bura		"	Renewal	31.01.11	8686
Iqlas Youth Group	Modogashe		"	Reg	01.02.11	8687
Saretho Women Group	Waberi		"	Renewal	01.02.11	8688
Abdisamad Women Group	Township		"	Reg	01.02.11	8689
Waberi Small Livestock Self Help	Waberi	L/Marketing	"	Renewal	02.02.11	8690
Dela Women Group	Township		"	Reg	02.02.11	8691
Jilarba Women Group			"	Reg	02.02.11	8692
Bulla Riig Young livestock	Bulla Riig		Corporate	Renewal	03.02.11	8693
Hormarr Women Group			Corporate	Reg	03.02.11	8694
Sankuri Community Dev. Org	Sankuri		Corporate	Reg	07.02.11	8695
Hanis Women Group	Township		"	Reg	07.02.11	8696
Sankuri Community Development	Sankuri		"	Reg	08.02.11	8697
Ashun Youth Group			"	Reg	08.02.11	8698
Bismillahi Rahmani Women Group			"	Reg	10.02.11	8699

Jamia Muslim Women Group	Township			"	Reg	11.02.11	8700
Kora Hilaac Milk Women Group	Korakora			"	Renewal	11.02.11	9780
Goboi Community Pastoral Association				"	Reg	14.02.11	9710
Sankuri Halgan Group	Sankuri			"	Reg	14.02.11	9711
Garissa Bilan Women Group	Bulla Iftin			"	Reg	14.02.11	9712
Horiwaa Self Help Group				"	Reg	14.02.11	9713
Hagarbul Women Group	Township			"	Renewal	15.02.11	9714
Danyere Youth Alliance	Danyere		Corporate		Reg	16.02.11	9717
Siqley Women Group	Siqley		Corporate		Reg	16.02.11	9722
Mudey Livestock Marketing Group	Siqley		Corporate		Renewal	18.02.11	9727
Manshaallah Group	Bula Gadud		Corporate		Reg	17.03.11	9750
Modika Wanaume Self Help Group	Modika			"	Reg	24.03.11	9751
Furaha Self Help Group			Corporate		Reg	25.03.11	9753
Bilif Women Group	Township		Corporate		Reg	28.03.11	9754
Al- Hilal Women Group			Corporate		Reg	30.03.11	9755
Bayan Self Help Group				"	Reg	01.04.11	9756
Hantiwathag Self Help Group	Township			"	Reg	03.04.11	9781
Bismillahi Maalimin Youth Group				"	Reg	04.04.11	9757
Iftin Community Development			Corporate		Reg	14.04.11	9759
Bouralgy Al-Ansar Women	Bouralgy			"	Reg	15.04.11	9760
Bula Gadud Gargar Women	Bulla Gadud			"	Reg	21.04.11	9761
Allah Qabe Women Group				"	Reg	21.04.11	9762
Bula Jaribu Women Group	Bulla Jaribu		Corporate		Reg	06.05.11	9767
Sankuri Livestock Marketing	Sankuri			"	Reg	06.05.11	9768
Salaam Youth Group	Township		Corporate		Reg	10.05.11	7187
Furaha Youth Group	Galbet			"	Reg	10.05.11	7122
Naam Farmers Group			Corporate		Reg	03.06.11	7123
Balambala Hodhan Women Group			Corporate		Reg	10.06.11	7125
Baare Women Group				"	Reg	10.06.11	7126
Balambala Sigaley Self Help Group				"	Reg	10.06.11	7127
Gargar Two Women Group	Garissa-Iftin			"	Reg	10.06.11	9771
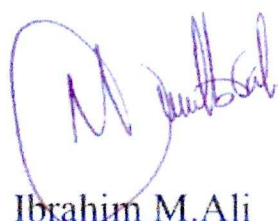
Kasha women Peace Self Help group			Corporate	Reg	13.06.11	7130
Danyere Women Group	Danyere		Corporate	Renewal	16.06.11	9772
Garissa Hides & Skins Society	Township		"	Reg	17.06.11	9773
Kotrahma Women Group			Corporate	Reg	27.06.11	9783
Alkheirat Youth Group	Bulla Adan		Corporate	Registratior	16.07.11	7181
Star Bulla Riig Self Help Group			Corporate	Reg	29.07.11	7147
Usafi Women Group			Corporate	Reg	04.08.11	7154
Asali Women Group	Garissa		"	Renewal	05.08.11	7158
Kokar Youth Group		Bones	Corporate	Reg	10.08.11	7166
Dagale Gargar Women Group	Damajaley	L/Marketing	Corporate	Renewal	10.08.11	7168
Kulan Towfiq Livestock Product	Kulan	L/Marketing	"	Renewal	10.08.11	7169
Hormud Galmagala Group	Galmagala	L/Marketing	"	Renewal	18.08.11	7170
Balambala Halgan Youth Group	Balambala	L/Marketing	"	Reg	18.08.11	7171
Balambala Holwathag Women Group	Balamabala	L/Marketing	"	Reg	18.08.11	7172
Ashadin Women Group	Balamabala	L/Marketing	"	Reg	18.08.11	7173
Libahlow Holwathag Farm Group	Libahlow	L/Marketing	"	Reg	22.08.11	7177
Garissa Women Initiative For Self Employment	Waberi	L/Marketing	"	Reg	22.08.11	7178
Alloley Farmers Group			"	Reg	23.08.11	7179
Salaam Youth Group			Corporate	Reg	29.08.11	7187
Rahma Garasweynow Women Group	Iftin		Corporate	Reg	05.12.11	7193
Bula Sambul Towfiq Women Group			"	Renewal	05.12.11	7194
Dayaah Women Group			"	Renewal	19.12.11	7195

DISTRICT LIVESTOCK MARKETING COUNCIL(DLMC)-MANDERA
P.O BOX 77-70300 MANDERA.

As per records held by this office the following are some of the livestock traders in Mandera county.

No.	Name of Traders	Business
1.	Mandera Butchermen Association	butchery
2.	Korile livestock traders association	Cattle and goats
3.	Mulkey self help group	shoats
4.	Hidaya Hareri self help group	Livestock products
5.	Ashabito livestock marketing association	Camel, shoats and cattle
6.	Liban livestock traders association	products
7.	Mado livestock Development association	Cattle and goats
8.	Wargadud Butchery group	butchery
9.	Malkameri livestock marketing development group	camel
10.	Galore livestock traders association	Goats and sheep
11.	Mandera camel dealers association	camel
12.	Mandera cattle traders association	cattle
13.	Mandera main market cattle dealers	Cammel and cattle
14.	Bulla mpya livestock marketing group	goats
15.	Fino shoats dealers group	shoats
16.	Barqot livestock marketing group	cattle
17.	Qumbiso stock and products dealers	Goats and sheep
18.	Khalalio hides and skins dealers	Hides and skins
19.	Banisa live stock marketing association	Camel and goats
20.	Bismillahi traders	Goats and sheeps
21.	Warankara livestock products development group	Livestock products

22.	Guba livestock traders group	camel
23.	Allahwakil women group	Livestock products
24.	Neboi tawakal group	Livestock products
25.	Gurdus livestock traders association	Shoats and cattle
26.	Umur livestock marketing association	cattle
27.	Mandera milk traders and meat traders	Milk and meat
28.	Oda traders	Goats/sheeps
29.	Gadidiye livestock and products dealers	shoats
30.	Bosnia camel dealers association	camel

Ibrahim M.Ali
Programme co-ordinator
District livestock Marketing Council-Mandera

APPENDIX VI(a): UNIVERSITY OF NAIROBI LETTER

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF BUSINESS
DOCTORAL STUDIES PROGRAMME

Telephone: 4184160/1-5 Ext. 225
Email: dsp@uonbi.ac.ke

P.O. Box 30197
Nairobi, Kenya

19th June , 2014

TO WHOM IT MAY CONCERN

RE- BILLOW KHALID: D80/80562/2009

This is to certify that, **BILLOW KHALID:D80/80562/2009** is a Ph.D candidate in the School of Business, University of Nairobi. The title of his study is:
"Entrepreneur Behaviour, Social and Economic Institutions and Performance of Micro and Small Livestock Enterprises in North Eastern Kenya".

The purpose of this letter therefore, is to kindly request you to assist and facilitate in carrying out the research/study in your organization. A questionnaire is herewith attached for your kind consideration and necessary action.

Data and information obtained through this exercise will be used for academic purposes only. Hence, the respondents are requested not to indicate their names anywhere on the questionnaire.

We look forward to your cooperation.

Thank you.

PROF. MARTIN OGUTU
FOR: ASSOCIATE DEAN
GRADUATE BUSINESS STUDIES
SCHOOL OF BUSINESS

MO/rwk

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APPENDIX VI(b): LETTER OF INTRODUCTION

Dear Respondent,

I am doctoral student at the University of Nairobi, School of Business. My study is on "Entrepreneurial Behaviour, Social and Economic Institutions and Performance of Micro and Small Livestock Enterprises in North Eastern Kenya".
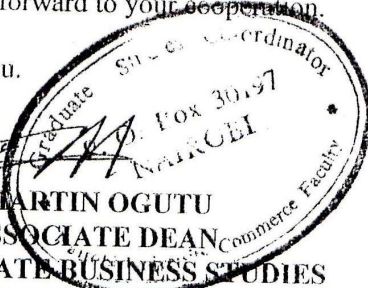
Your business is one of the enterprises I have selected for this research. The value of this study is enormous for both the advancement of knowledge in livestock business such as yours and formulating policies that would in the long run help the sector.

I would therefore be most grateful for your time and effort to complete the enclosed questionnaire. Be assured that the information collected will be used for academic purposes only and will have no way affect your business in a negative manner.
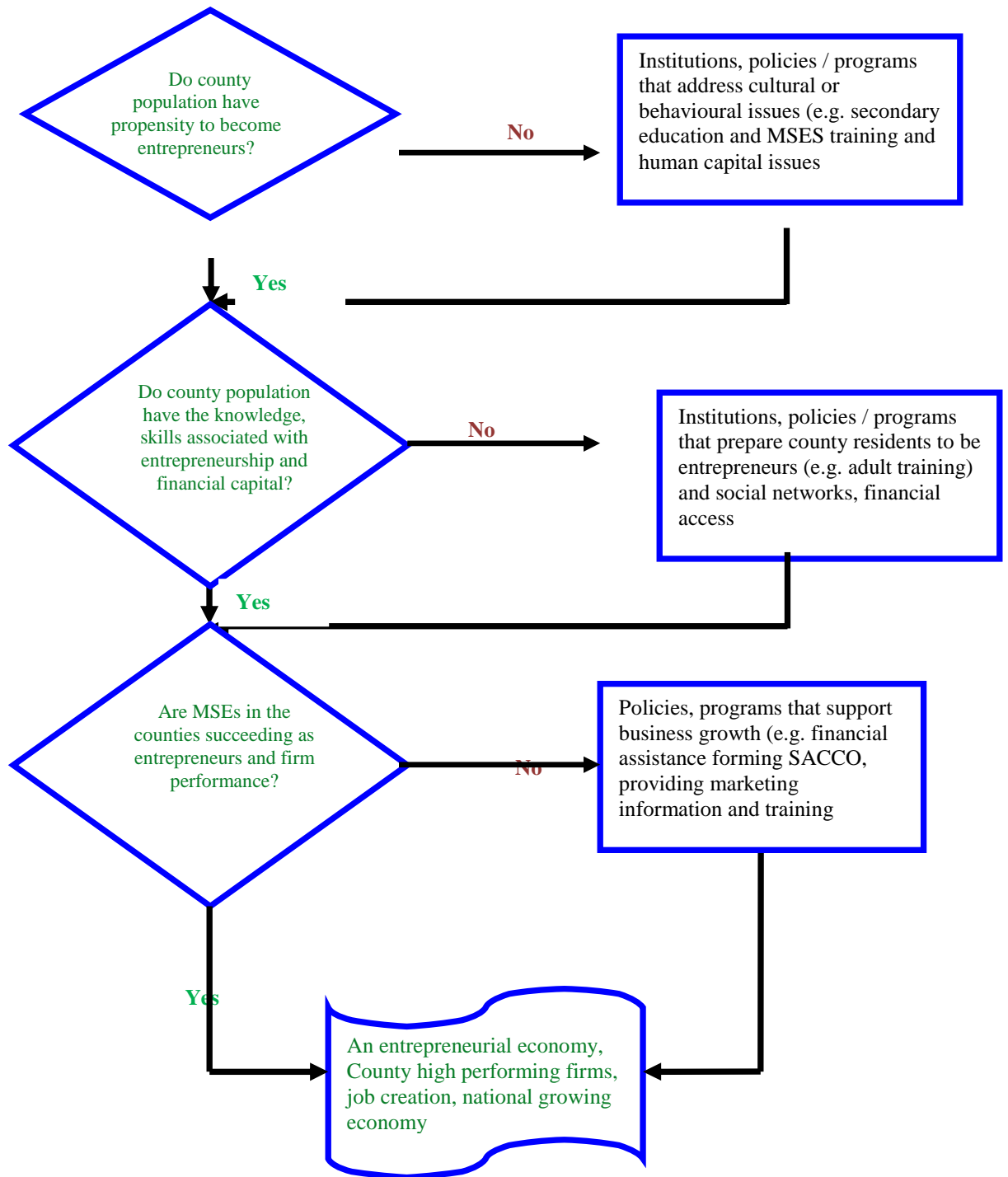
Your help and cooperation are highly appreciated.

Yours faithfully,

BILLOW KHALID

THE PRINCIPAL RESEARCHER

APPENDIX VII: FRAMEWORK FOR ENCOURAGING

ENTREPRENEURSHIP IN THE KENYAN COUNTIES

Do county population have propensity to become entrepreneurs? — No → **Institutions, policies / programs that address cultural or behavioural issues (e.g. secondary education and MSES training and human capital issues**

Yes ↓

Do county population have the knowledge, skills associated with entrepreneurship and financial capital? — No → **Institutions, policies / programs that prepare county residents to be entrepreneurs (e.g. adult training) and social networks, financial access**

Yes ↓

Are MSEs in the counties succeeding as entrepreneurs and firm performance? — No → **Policies, programs that support business growth (e.g. financial assistance forming SACCO, providing marketing information and training**

Yes ↓

An entrepreneurial economy, County high performing firms, job creation, national growing economy

Source: Adopted from Jay Kayne, Kauffman Center for Entrepreneurial Leadership, 2000 (online.www.AfricaEconomicAnalysis.org)

APPENDIX VIII: LIVESTOCK POPULATION DISTRIBUTION

BY REGIONS IN KENYA

SNo.	Region	Camels	% of total	Cattle	% of total	Goats and sheep	% of total	Total	Percentage
1	Rift valley	968,192	32.6	7,479,807	42.8	20,829,901	46.4	29,277,900	44.8
2	North Eastern	1,700,893	57.2	2,775,208	15.9	12,150,741	27.1	16,626,842	25.5
3	Eastern	248,634	8.4	2,260,161	12.9	6,619,955	14.8	9,128,750	13.9
4	Cost	51,045	1.7	959,965	5.5	2,038,167	4.5	3,049,177	4.7
5	Central	231	0.008	1,125,905	6.4	1,195,446	2.7	2,321,582	3.6
6	Western	2037	0.07	1,063,512	6.1	497,671	1.1	1,563,220	2.39
7	Nyanza	59	0.001	1,748,670	10.0	1,456,324	3.3	3,205,053	4.9
8	Nairobi	20	0	54,546	0.31	81,554	0.2	136,120	0.20
	Total	**2,971,111**	**100%**	**1,746,774**	**100%**	**44,869,759**	**100%**	**65,308,644**	**100%**

Source: Gok Livestock Census (2010)

APPENDIX IX: MARKET DAY IN GARISSA

Researcher, Khalid with one of the livestock traders, Mr. Mohammed at Garissa livestock traders on 4th June 2014

APPENDIX X: MARKET DAY AT GARISSA LOADING CATTLE

Figure 2: Garissa livestock market, some cattle being loaded onto a truck from Nairobi on 4th

June 2014. Photo by Researcher.

APPENDIX XI: ETHIOPIAN LIVESTOCK BUYERS

Livestock Export 2014 US$ 150 Million:

Source FAO Data Online

APPENDIX XII: SOMALILAND LIVESTOCK EXPORTERS

Source: FAO Data 2014 online

Camels being exported from the port of Hargeisa (online), Somaliland, 2003. Most of

the camels come from the neighbouring regions including Northern Kenya and

Ethiopia Livestock Export Somalia 2014, US$ 360 million