

**"A RESEARCH PAPER TO FIND OUT WHY
MAJORITY OF ENTREPRENEURS IN THE
INFORMAL MATATU INDUSTRY HAVE BEEN
UNABLE TO SUCCEED DESPITE THEM BEING IN
THIS BUSINESS FOR MANY YEARS"**

BY


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REQUIREMENT FOR THE COURSE DSE 703,
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DECLARATION

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

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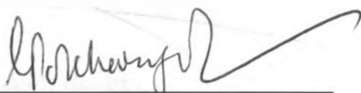


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ABSTRACT

The *Matatu* industry in this country is quite large with little entry and exit barriers. It has positively contributed to the growth and development of this Nation through the creation of employment and payment of taxes to the government. In addition, being one of the sources of personal and family incomes, it has positively contributed to the social wellbeing of society.

By definition, the *Matatu* industry is a mode of commuter transport system which comprises of mainly minibuses, vans and modified pick ups. They operate both in rural and urban areas with capacities ranging from 14 – 28 passengers.

The industry plays a major role in the transportation sector in the country. Its importance therefore cannot be ignored. Majority of workers across the country and a good number of businessmen depend on this mode of transport to reach their various destinations.

Further, the industry also plays a great role in the reduction of crime through job creation. A good number of youth across the country who would have been otherwise idle and therefore engaged in all sorts of crime, are now positively engaged in the industry and are contributing something to the economic and social development of this country.

However, despite its crucial role it plays in the Nation building, the industry lacks the required organizational skills to enable it realize its full potential. The factor has made some of the owners to continually operate at subsistence level, despite being in this industry for many years. Their books have not been recording any meaningful growth and hence the poor performance.

Many people have carried out various research on this industry under various topics but unfortunately none of them had tried to investigate why some of the operators remain at subsistence level for many years.

The purpose of this research paper therefore was to try and find out the factors which were contributing to the above scenario and if possible come up with probable solutions if any. This

research was based in Nairobi where a total of twenty operators were interviewed. The paper had four objectives and three hypotheses.

Based on the research findings, several factors were identified as major causes of lack of success in the industry. They included; lack of business skills, absence of business plans, lack of proper government support and many others.

Based on the research findings, a number of conclusions and recommendations were drawn which would assist the industry move forward.

CHAPTER 1: INTRODUCTION

1.0 Background

This is the section which will try to define the various concepts and terms used in this research paper. It will further try to introduce and discuss the research topic in detail. Further, this is where the problem statement objectives of the study and hypotheses shall be given.

Dollinger (2003), defines entrepreneurship as the creation of an innovative economic organization (or network of organisations) for the purpose of gain or growth under conditions of risk and uncertainty. He further states that entrepreneurship encompasses the following:-

- A new product or service
- A new method or technology employed
- A new market targeted and opened
- A new source of supply of raw materials and resources used
- A new form of industrial organisation created

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

According to Hisrich and Peters (1998), entrepreneurship is the process of creating something new and assuming the risks and rewards. Kinicki et al., (2003) defined entrepreneurship as the process of taking risks to try to create a new enterprise.

Entrepreneurship is deemed to be a catalyst that creates wealth and jobs in the new economy (Louw et al., 2003). Many universities around the world have been introducing entrepreneurial courses to their students in an effort to promote entrepreneurship as a career choice (Postigo 2002). Almost in the past two decades, many researchers have been interested in the field of entrepreneurship education, which has enjoyed experiential growth internationally. This

growing interest is reflected by the significant increase in the entrepreneurship courses offered at many universities throughout the world.

For example in the United States there are more than 150 colleges and universities offering courses on entrepreneurship and small business management to some 15,000 students at both undergraduate and postgraduate levels (Zimmer et al., 2002).

Having defined entrepreneurship, it is important to create room for more definitions on who is an entrepreneur and appreciate the role played by such an individual as a prime mover of a business enterprise. With a definition in mind we still have trouble identifying entrepreneurs, finding them, or determining what they do. Economists, at least those who endorse free enterprise further state that entrepreneur bring resources together in unusual combinations to generate profits. Corporate managers too often view entrepreneurs as small businesspersons lacking the potential needed for corporate management. On a positive note, Vesper suggests that those of us who strongly favour a market economy view entrepreneurs as pillars of industrial strength - the movers and shakers who constructively disrupt the status quo. Therefore Zimmerer et al. (2002), define an entrepreneur as one who creates a new business in the face of risk and uncertainty for the sole purpose of achieving profit growth through identifying opportunities and assembling the necessary resource to capitalise on them.

From the literature review, not everyone is an entrepreneur and that not everyone will succeed as an entrepreneur, and sometimes the people who do succeed do so only after a number of painful attempts. For one to be an entrepreneur and succeed he/she must have certain traits, which are not inherent in non-entrepreneurs; otherwise everybody will be an entrepreneur, which is not the case. Entrepreneurship may exist or operate under formal and informal environment (Dollinger 2003).

According to the available literature, there is no uniform definition of the term informal since it does not exist as a separate group of economic activities. Most commonly informal activities are defined as those operating outside the government and labour regulations (Lambody et al., 1987). This study is mainly concerned with informal *Matatu* transport sector, under small scale businesses in Nairobi.

Transport is a crucial ingredient in modern economies and societies. "Modern" means here that economies intensify and institutionalise labour divisions, breaking up production processes alongside specialised functions. Modern societies demand a workforce that is mobile in its mindset and physical means. To cater for these, transport systems (infrastructure) and services need to evolve into one of the specialised sectors of the economy. Where transport sector fails to perform, then the change towards modern economies and societies is distorted, leading among others to prevailing poverty (Kamuhanda et al., 2005).

The dominant feature of the modern society is urbanisation. With the establishment of specialised markets and labour divisions, people tend to create and move towards urban areas. In the year 2000, about 47% of the world's population lived in urban areas. It is expected that 60% of the world's population will be Urban by 2030 and that most of the growth will be in less developed countries meaning that they would need a well organized, reliable, cost effect and efficient means of transport (Hove 2006).

We now focus specifically on the *Matatu* means of transport within the ambit of small informal businesses in Nairobi. *Matatu* service in Nairobi began in the 1950's, prior to independence and it was considered to be an illegal commercial entity. The term *Matatu* is derived from a local Kikuyu vernacular "*mang'otore Matatu*" which means "thirty cents" which was then the standard charge for every trip made (Aduwo, 1990).

The *Matatus* business faced harassment from Nairobi City Authorities and the Kenya Bus Service which started its operations in 1934 (Aduwo 1990) as a sole public transport provider in major towns in Kenya. It had to take a presidential intervention for the *Matatu* to break in the transport niche that was the domain of a multi national company working in collaboration with the local civic authority. The company was jointly owned by the United Transport Oversees Ltd (75%) and the Nairobi City Council (25% of the shares). Following a visit by a group of businessmen to the late President Jomo Kenyatta, the *Matatus* received official recognition when a Presidential Decree was given in 1973 (Weekly Review, 18 December 1998, Macharia, 1987).

1.2 Organisation and dynamics in the matatu industry

Since the official recognition of the *Matatu* means of transport in 1973, the sector grew in significance to the extent that the owners formed a national association to control the operations of the sector and also press for their demands. All the *Matatu* operators in Kenya were expected to belong to this Association, that is, the *Matatu* Vehicle Owners Association (MVOA). Any new *Matatu* operator was expected to apply to this Association for the allocation of an operational route.

The formal organization of the *Matatu* industry attracted the attention of both the government and political opposition groups. The opposition groups saw the Association as an important ally to advance political motives. This is why the Association, while being disbanded, was accused by the government of providing an avenue for political activism and destabilization. The Association was also accused of having been penetrated by rich individuals who were oppressing the weak members by, for example, assigning them routes that had very few passengers. Following the disbanding of the umbrella *Matatu* association, individual operators were allowed by the Government of Kenya to operate on any route.

As Kenya entered the period of agitation for multipartism and political reforms, the support of *Matatu* operators was sought for. During the pro-democracy agitation and demonstration in 1990, *Matatu* operators played a catalyzing and facilitative role. For example, the *Matatu* drivers were among the first to greet each other using a two-finger salute. This salute symbolized that time was ripe for two or more parties and not just one political party as was the case then. The *Matatu* operators were also instrumental in disseminating political propaganda (written and through songs) to the travelling population. Whenever a demonstration would be called for by political activists, *Matatu* operators would join, paralyzing the transport system in the country. They would do this despite a stern warning from the government that those who would join would have their PSV licences withdrawn (Khayesi, 1997). After the umbrella *Matatu* association was disbanded, the *matatu* stages and ranks were for a time manned by the youth wingers of the then single party, Kenya African National Union (KANU) in Kenya up to 1991.

Presently, the organizational framework is largely based on route-based *Matatu* associations that demand goodwill from new entrants. There is a proliferation of such associations. Route-based associations keep on springing up, either as new ones or as breakaways from old ones. Stage and route *Matatu* workers have also organized themselves into “labour” groups (Khayesi,

1979). These workers are constantly seen engaged in struggle over vehicles and passengers. It should be noted that the existence of route-based association should not make the reader think that the sector is disorganized. When a need arises, such as to challenge an unfavourable legislation, *Matatu* operators get united and work together as a solidarity group. At the national level, there is now a group calling itself *Matatu* Welfare Association.

1.3 Temporal and Spatial spread of the *Matatu* Means of Transport

Since the entry of the *Matatu* mode of transport in the 1950s, the sector has grown both in volume of activity conducted and importance. In some of the rural areas in Kenya, the *Matatu* is the main and sometimes the only motorized means of transport available to facilitate movement of people and goods. This means of transport that is widely used throughout Kenya competes, supplements and complements the transport service offered by trains, buses and bicycles. The importance of the *Matatu* in Kenya's political economy is sometimes realized when there is a strike by the operators in Kenya's urban areas including Nairobi and the whole country. Whenever this happens, movement as well as other sectors of the economy more or less come to a standstill or are disrupted (Khayesi, 1997).

As noted above, transport plays an important role in integrating the various sectors in the Kenyan economy just like elsewhere in the world. The sector makes crucial contribution to economic growth and development. It is estimated that the *Matatu* industry in Kenya controls over 80% of passenger transportation. Since its inception, the industry has been experiencing an exponential growth in size and in terms of employment creation. Currently the industry has an estimated fleet of over 40,000 vehicles, of which over 9,000 operate in Nairobi (Kimani et al. 2004). Currently according to the *Matatu* welfare Association and the Transport Licensing Board, the City of Nairobi has a total of approximately 10, 000 *Matatus*.

The *Matatu* industry has almost a 50% share of the modal split in Nairobi. Surveys of means of transport used show that the *Matatu* is central in the movement of people and goods in rural and urban areas in Kenya (Khayesi, 1993, 1998).

On the basis of distance covered, that is, range of operations, *Matatu* can be divided into four main groups:

- Long-distance urban-oriented
- Long-distance rural-oriented

- Short-distance rural-oriented
- Short-distance urban-oriented (intra-and inter-urban)

Matatus have different physical and mechanical conditions. While some are new and in good mechanical conditions, there are others that are old and in very bad mechanical conditions. The relatively new and comfortable *Matatu* serve some of the rich areas while the old, worn out *Matatu* serve poor areas Khayesi (1999).

1.4 Current Status of Stake holding and Effects in the *Matatu* Means of Transport

In this section, a description of the stakeholders in the *Matatu* means of transport is first given, revealing the diversity of regulatory and economic interests in the means of transport. This is followed by a discussion of the effects of these interests on the operation of the *Matatu* means of transport.

1.5 Diversity of stakeholders

The *Matatu* means of transport has an array of individuals, businesses and institutions who have stakes in it. Apart from the struggle for regulatory dominance, there are economic interests pursued by the owners and operators. The *Matatu* is not just a business for the low-income and self-employed workers. It is a big time business enterprise now involving the affluent in society. There are reported cases of where one individual may own several *Matatus*. There are also other businesses linked to the *Matatu* industry, for example, insurance firms, motor vehicle body builders, vehicle assemblers, vehicle importers, garages, petrol stations, driving schools and commercial banks/money lenders. This means of transport also employs drivers, conductors and stage workers (Khayesi, 1998). A summary of the categories of stakeholders and their interests is provided in Table 1.

Table 1. Profile of Stakeholders in the *Matatu* means of transport

| Stakeholder | Main concern |
|--|---|
| Owners | Income |
| Workers | Income (through salaries) |
| Passengers | Mobility and safety |
| Other road users: cyclists, pedestrians, motorists | Safety |
| Local authorities | Revenue |
| Traffic police | Driver testing and adherence to traffic regulations |
| Motor vehicle registration unit | issuance of driving licences and revenue |
| Insurance companies | Income (premium) |

| | |
|--------------------------|---------------------------------|
| Motor dealers | Income (from sales) |
| Petrol Stations | Income (from sales) |
| Driving schools | Income (instructions) |
| Painting companies | Income ((repair works) |
| Spare parts dealers | Income (from sales) |
| Sign writers and scribes | Income (from sale of services) |
| Bus operators | Competition for passengers |
| Politicians | Solidarity support /Investments |
| Mungiki | Protection fees |

Source, Amended from Khayesi (1998)

1.6 The economics of the Matatu business

The economics of the *Matatu* industry are straight forward. The fare box has to cover all the costs of operation. The fare in turn is limited by the low incomes of the *Matatu* riding. Thus the basic situation is that there is a sufficient oversupply of *Matatus* to cause the operators to compete fiercely for customers to earn enough income to cover the costs of operation. The result is that operators are racing improperly maintained vehicles in a stiff competition with rivals. This has predictably led to serious safety problems for both pedestrians and other road users, including other *Matatu* operators.

In conclusion therefore, though the *Matatu* industry seems to be lucrative, it has its own challenges and majority of the operators seem to be doing poorly. It is noted that some of them have stayed in this business for many years without anything good to be proud of. They seem to be moving round in circles with no records of economic improvement. In any business usually, the bottom line is how much one has gained economically from his ventures. The scenario above therefore is what this study will seek to address.

1.7 PROBLEM STATEMENT

The purpose of this research study is to determine factors that contribute to some entrepreneurs in the informal *Matatu* sector not to succeed despite being in this business for many years.

1.8 OBJECTIVES OF THE STUDY

The objectives of the study are to find out;

1. Why some *Matatu* entrepreneurs have not been able to succeed in this commuter transport industry.
2. Whether there is good future for the *Matatu* industry.
3. Whether the industry enjoys sustainable competitive advantage.
4. What need to be done so as to succeed in the *Matatu* business.

1.9 HYPOTHESIS

- H1 Lack of success in the industry is due to the absence of entry and exit barriers.
- H2 Lack of proper managerial skills by the operators and little Government support have contributed greatly to lack of success in the *Matatu* industry.
- H3 Lack of success in this business was due to lack of sustainable competitive advantage by individual operators.

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

This chapter reviews selected conceptual and empirical literature on entrepreneurship and small business development with a view to highlighting the existing gaps. The literature starts by outlining and discussing in detail the various traits and theories of entrepreneurship, the informal and formal sectors, the reasons why firms fail in business, urban transport system and finally the Matatu transport sector more particularly in Nairobi, Kenya.

From the literature available, not everyone is an entrepreneur. Ask any group of business people today if they consider themselves to be entrepreneurs, Professor Bill Sahlman an Associate Dean at the Harvard Business School, quoting from Tom (1997), says that most of these people (businessmen) will raise their hands. That does not mean that they are entrepreneurs but they could certainly not like you to think they are not (Dollinger 2003). He further contends that not everyone will succeed as an entrepreneur, and sometimes the people who do succeed do so only after a number of painful attempts. Dollinger (2003) assertion can be interpreted to mean that for one to be an entrepreneur and succeed, he/she must have certain traits, which are not inherent in non-entrepreneurs, otherwise everybody will be an entrepreneur, which is not the case.

Thomas et al. (2002), states that the term entrepreneur implies a configuration of psychological traits, attribute, attitude and value of an individual motivated to initiate a business venture. Hisrich et al (1998), note that an entrepreneur is characterised as someone who demonstrates initiative and creative thinking, is able to organise social and economic mechanisms to turn resources and situations to practical account and accepts risks and failures. In his study he identified four separate traits, which are used to define entrepreneurial profile, and these are: *Innovation, risk propensity, internal locus of control and energy level*. Holt (2004) said that for an entrepreneur to be successful, he/she must possess the following characteristics:

- Self confident and optimistic
- Able to take calculated risks
- Respond positively to challenges
- Flexible and able to adapt
- Knowledgeable of markets

- Able to get along with others
- Independent minded
- Versatile knowledge
- Energetic and diligent
- Creative, need to achieve
- Dynamic leader
- Responsive to suggestions
- Take initiative
- Resourceful and persevering
- Perceptive with foresight
- Responsive to criticism

In the researcher's view, these specific traits do not necessarily represent a comprehensive or definitional description of entrepreneur. Thomas et al. (2002) argue that the traits given above do appear repeatedly in Economics, Psychology, Sociology and Entrepreneurial research. It is the researcher's view that to understand more about entrepreneurial and what makes or creates an entrepreneur, it will be imperative to discuss the following three entrepreneurial theories;

- Resource based approach
- Psychological approach
- Social-Cultural approach

Dollinger (2003) has examined these three theories in detail. According to him, **Resource based theory** states that for one to be a successful entrepreneur he/she must have resources to use. He defines a resource as anything or quality that is useful. He further states that no two entrepreneurs are alike and no two firms are identical. The resource-based theory of entrepreneurship makes sense for the study of new venture creation because it focuses on the difference that characterise entrepreneurs and founding of their companies. Entrepreneurs are individuals who are unique resources to the new firm, resources that money cannot buy. The theory says that firms have different starting points for resources, which other firms cannot get easily. This theory values creativity, uniqueness, entrepreneurial vision, intuition and the initial condition under which new ventures are created. This theory tries to bring in the issue of sustainable competitive advantage.

According to the theory, sustainable competitive advantage is created when firms possess and employ resources and capabilities that are:-

- *Valuable*
- *Rare*
- *Hard to copy*
- *Non-substitutable*

Resources are valuable when they help the organization implement its strategy effectively and efficiently because they exploit some environmental opportunity. Some of these resources include:- property, equipment, people and skills. A resource can be considered as rare as long as it is not widely available to competitors. If supply and demand are in equilibrium, and the market clearing of the resource is generally affordable it would cease to be rare. Examples of resources that may be considered rare are things like:- a good location, managers considered to be good leaders or control of natural resources like oil reserves (if you are in oil business).

A resource is considered hard to copy (also called imperfect imitable) where duplication is not possible at a price low enough to leave profits. There are three factors that make it difficult for firms to copy each other's skills and resources. These are; Unique historical conditions, causal ambiguity and social complexity.

Non-Substitute resources are strategic resources, which cannot be replaced by common resources. For example, let us say that there are two firms A and B. A has a rare and variable resource and employs this resource to implement its strategies. If B has a common resource that can be substituted for the variable and rare resource of A and their common resources do common things, then the rare and variable of A do not confer strategic advantage. In fact if B can obtain common resources that threaten the competitive advantage of A then so can many other firms thereby ensuring that A has no advantage. To continue with the issue of resource, it is important at this point to look at the various resources of a Firm.

2.2 Types of resources

The resource- based theory recognizes the following six types of resources:

Physical resources; these are mainly physical resources such as land, energy resources (oil resources, water etc), raw materials (minerals etc). Physical resources can be a source of Sustainable Competitive Advantage (SCA) if they have the four attributes described above: Rare, Hard to copy, Non-substitutable and valuable.

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

Organizational resources; the organizational resources include: the firm's structure, routines and systems. The term ordinarily refers to the firm's formal reporting systems, its information generation and decision making systems and formal or informal planning. The organization structure is an intangible resource that can make the difference between the organization and its competitors. A structure that promotes speed can be the entrepreneur's most valuable resource. Organizational structure that separate the innovation from the production function, speed innovation; those that separate marketing from production speed marketing. The appropriations of designs depend on complexity and turbulence in the environment.

Financial resources; financial resources represent money assets. Financial resources are generally the firm's borrowing capacity, the ability to raise new equity and the amount of cash generated by internal operations. Being able to raise money, at below average cost is an advantage attributable to the firm's credit rating and previous financial performance. Various indicators of venture's financial resources and financial management skills are debt to equity ratio, its cash to capital investment ratio, and its external credit rating. Although starts up entrepreneurs see that access to financial resources is the key to setting into business, most agree that financial resources are seldom to the source of sustainable competitive advantage.

Intellectual and Human resources; these resources include knowledge, training and experience of the entrepreneur and his or her team of employees and managers. It includes the judgement, insights, creativity, vision and intelligence of the individual members of an organisation. It can even include social skills of the entrepreneur. Entrepreneurs often perceive great opportunities where others see only competition or chaos; therefore entrepreneur

perception is a resource. The value of entrepreneurs and their beliefs about the cause and effects can form the initial imprint of the firm's culture. In addition, Human capital includes relationship capital as a subset. Relationship capital refers to what the organisation's members know but rather to whom the organisations members know and what information these people possess. Networking gives the entrepreneur access to resources without controlling them. This minimises the potential risk of ownership for it keeps overheads down.

Technological resources; technological resources are made up of process, systems, or physical information. These may include laboratory, research and development facilities, testing and quality control technologies. Knowledge generated by research and development and then protected by patents is a resource, as are formulae, licences, trademarks and copyrights. Technological secrets and propriety processes are resources as well. There is a distinction between intellectual capital and technological capital. Intellectual is embodied in a person or persons and is mobile. If the or persons leave the firm so does the capital. Technological resources are physical and intangible or legal entities and are owned by the organisation.

Having defined who is an entrepreneur, entrepreneurship and various entrepreneurship theories there is need to look at the psychological approach theory.

In addition to the foregoing resource based approach, Dollinger (2003) also discussed the **psychological approach theory**. He contends that there are personality characteristics that help predict who will be an entrepreneur and who will not be. Who will be a successful entrepreneur and who will not be. Over the past few decades entrepreneurial research has identified a number of personality characteristics that differentiate entrepreneurs from others. He lists them as follows: -

- **Need for Achievement:** The entrepreneur need for achievement was first identified as a personality trait by McClelland in his work on economic development. People with achievement have a strong desire to solve problems on their own, enjoy setting out goals and achieving them through their own effort and like receiving feedback on how they are doing. They are moderate risk takers.
- **Locus of Control:** In locus of control theory, there are two types of people;
 1. The externals who believe that what happens to them is as a result of fate, chance, luck or force beyond their control and;

2. Internals who believe that for the most part of the future is theirs to control through their own efforts. Clearly people who undertake new business must believe that their efforts will have something to do with business performance.

A logical prediction of this theory contends that internals are more entrepreneurial than externals.

- **Risk taking propensity:** This theory determines whether entrepreneurs take more risks than other business people. That hypothesis has been tested in a number of ways, but the work by Brockhaus has been most incisive. In Brockhaus's research, the risk taking propensities of entrepreneurs were tested objectively using a series of decision scenarios. The results obtained from the entrepreneurs were confirmed with those obtained from a sample of managers. The conclusion was that risk-taking propensity is not a distinguishing characteristic of entrepreneurs.

Dollinger's (2003) last theory on entrepreneurship is the *social-cultural theory*. This theory tries to explain the social conditions from which entrepreneurs emerge and the social factors that influence the decisions. The theory depicts the decision to become an entrepreneur as function of two factors.

The Impetus for Entrepreneurship: This explains the reason why people move to self-employment. Some of the reasons are: negative displacements, being between things, positive push and positive pull. Negative displacements begin with the notion that people who find themselves displaced from their habitats tend to be innovative in order to survive. Because they are on the outer fringes of the economy and society, they are sensitive to allure of self-employment, having no one to depend on, they depend on no one. An example of this phenomenon is the tendency of immigrants to become entrepreneurs. In societies where economic rights are more easily exercised than political rights, immigrants turn to entrepreneurship. Throughout the world, for example, Asians and Jewish immigrants wherever they settle they have gone into business for themselves. Other negative displacements come from being fined, hungered, bored, middle aged and divorced.

The second factor is between things. People who are between things are more likely to seek entrepreneurial outlets than those who are in the middle of things. Like immigrants, people

who are between things are sometimes outsiders. Examples are people who are between military and civilian life, between student life and career and between prison and freedom.

The third factor is the positive pull. Positive pull influences individuals to become entrepreneurs. They can come from a potential partner, a mentor, a parent, an investor or a customer. All these encourage individuals to enter into new venture.

The positive push factor provides impetus and momentum for entrepreneurship. Positive push factors include things like career, birth that offers entrepreneurial opportunities or an education that gives the individual the appropriate knowledge and opportunity.

Situational characteristics is another factor. Once the individual inclination for entrepreneurship has been activated, situational characteristics help determine if the new venture will take place. There are two situational factors:- Perception of desirability and perception of feasibility.

Perception of feasibility: Entrepreneurship must be seen as feasible if the process is so continued. Readiness and desirability are not enough. Potential entrepreneurs need models and what can be accomplished. They require support from other emotional, financial and physical support.

Having look at the various entrepreneurial theories and traits it is now important to look at the subject from formality and informality point of view.

2.3 Informal and formal small enterprises

International Labour Organization (1972, 6) defines informal activities as those which have fewer barriers to entry and heavy reliance on indigenous resources and family ownership; operations are small scale and uses labour intensive and adopts technologies; workers acquire skills outside the formal school systems. Markets are unregulated and competitive. By contrast the ILO defines the formal sector as having the opposite characteristics. The ILO report on employment in Kenya of 1972 argued that it could provide a basis for employment creation and growth even in the longer term. Since then there has been a lively debate about the informal sector. This has concerned on the one hand the choice of an appropriate definition and on the other hand the character and role of the sector in development. The sector is viewed principally

as a development component of the urban economy that provides employment for the increasing number of immigrants.

Portes, Blitzer and Curtis, (1986), De Pardo, Castano and Soto, (1989) Roberts (1989), revealed the diversity of career patterns in the informal economy, the role of large scale employers in structuring the urban labour market the range of economic advantages and disadvantages informal work implies.

They demonstrated that the urban informal sector incorporates variety of social economic conditions ranging from shoe shiners and home workers to well established small enterprises employing several wage workers, which can be analysed within the same framework. Instead of defining the informal sector has two extremes that exclude each other. It is now defined as a continuum of working condition and relationships that exist among the different work situations of informal workers.

In his classical article on the dual economy model Lewis (1954) treated the small-scale, traditional sector as a reservoir of surplus labour without growth potential. The sector was seen as a temporary disequilibrium phenomenon, which would disappear once the economy reached the turning point and the modern sector had absorbed the labour surplus. This view was challenged in the early 1970s, when the concept of the "informal sector" was introduced.

Normally one or more of three criteria is used to define the informal sector (Morrison, 1995). The first one is size, where the concept of informal is restricted to self-employed and micro-enterprises with less than 10-20 employees. The second criterion concerns legal informality, that is informal enterprises are not registered and do not comply with legal obligations concerning safety, taxes, labour laws etc. the third criterion indicates that the firms should have limited physical and human capital per worker. Sometimes the sector is referred to as a low wage sector. The common point of all these attempts at defining the informal sector is of course that there is a dual structure in the economy, with a formal sector and an informal sector. Fontin et al. (1997) emphasize the three aspects mentioned above and refer to them as scale, evasion, and wage dualism. The criterion used to define the informal sector in this study is basically the second one, that is legal informality, but the firms are also small and have limited capital.

The second debate, on the character and role of the informal sector, is the more important one. John Harris (1990) has suggested a classification of the various views on the sector along two dimensions. First, does the sector have growth potential or not and secondly is it autonomous or integrated with the formal sector?

For the pessimists, the sector is either marginalized or exploited. For the optimists, it is either dual or complementary to the formal sector. A recent paper by Ranis et al.(1999) extends this discussion and presents a model, where the informal sector is considered to be heterogeneous so that firms can be either productive and dynamic or stagnant and traditional. They go on to analyze the factors that determine the growth of the informal sector, which would have to be based on the dynamic segment of the sector. A key factor is the degree of integration with the formal sector. The higher this is, the higher the growth potential. A more rapid growth in the formal sector and a more even distribution of income also increase demand for informal sector products and thus its growth.

The distinction of the informal sector into a progressive dynamic and a stagnant low-income sub sector is not new and is perhaps a possible way to reach some consensus regarding its role in economic development. Clearly, few would contest that there exist examples of informal production in developing countries that conforms to each. What is more important is to establish the relative proportions of dynamic and stagnant informal enterprises, to understand the basic mechanisms that determines these proportions, and to identify relevant policies that can spur and incorporate such dynamism into the national economy.

The industrial structure in Africa is dual, with a large number of very small firms and a small number of medium and large-scale firms and very few firms of intermediate size (i.e. usually defined as 10-100 workers). There has been an extensive discussion about "the missing middle". The question is why small firms tend to remain small, at the same time as the aggregate output of small-scale firms is growing rapidly. Fafchamps (1994) provides an interesting discussion of the question why so few small firms grow to become large firms.

In this paper we will take a step further backwards along the transition path of firms. We note that a huge number of small informal firms are started in Kenya, and that hardly any of those end up being large formal firms. It seems reasonable to assume that to become a medium sized or eventually a large firm, an informal firm first has to become a formal small firm. So

there are two hurdles to pass. First, from informal to formal small firm and then from small formal to a larger formal firm. We will here focus on why firms chose to become informal and to stay informal.

Fafchamps (1994) discusses six sets of factors that explain why firms generally tend to remain small. We will use his categorization to guide us in our discussion of the issue of informality. We will argue that these factors also explain why entrepreneurs choose informal status at start-up, and why so few of them ever manage to graduate into the formal sector.

First, it could be argued that the existence of informal firms is a short-term disequilibrium phenomenon, but the fact that these firms have grown rapidly in number is evidence against this explanation. Second, it could be argued that in a situation with high transportation costs it may be rational to produce on a small scale. This is true, but it does not necessarily mean that the firm has to be informal. It could be the case, though, that there are market niches for special products, where there are little scale economies or no need for a capital-intensive technology. Informal firms may then produce such simple or distinct goods. A third set of factors relates to the existence of transaction costs, information asymmetries and market failures. Management requirements are more limited in an informal firm. It may find it easier to control labour and have better access to family manpower. Informal firms may even be an easier outlet for private venture capital than formal firms are. They may also be able to recycle and reuse materials, which the formal sector rejects.

Fourthly, there are the factors relating to government policies and regulations. There are labour laws concerning minimum wages, workers safety, working hours etc that need not be adhered to by informal firms. Then there are taxes and fees, which weigh heavily on formal firms, as do urban planning regulations. There may also be economic and financial regulations, for example price controls, licensing of various sorts, as well as laws with regard to property rights etceteras that the informal firms can avoid. Fifthly, when there are fluctuations in demand it may be easier for informal firms to adjust given their flexible technologies and hence avoid the costs associated with idle capacity. Sixthly, managerial ability may vary. Large scale production requires skills that are not present among small firms.

These factors, possibly with the exception of the first and last one, can be interpreted as costs that hit formal and informal, large and small, differently. Thus, one can interpret the choice of

formality status as one based on economic (Loyaza, 1997). The costs of formality that we have discussed above are associated with the entry and operation in compliance with all legal requirements. An informal firm avoids all these by staying informal. The costs of informality include, the continuous risk of being detected and punished by the state for not being formal. Also, they cannot enjoy the services provided by the state, most notably including jurisdictional services such as policing, contract enforcement, protection against burglars, and so on.

Changes in these factors are likely to affect the choice of formality status at start-up and the possibilities for graduation from the informal to the formal sector. Clearly, they also affect the growth prospects for small formal firms. A central question is which hurdle is the trickiest one to pass. An examination of the structural differences of formal and informal firms may provide part of the answer. It would at least cast some light on whether one misses any important variation in the data by grouping formal and informal firms together.

In our own Kenyan context, there exist a significant number of informal small businesses. Examples: Furniture, garages, fabricators, Matatus and taxis, bodaboda (bicycle taxis), eateries (restruants), shoe shiners, vegetable vendors and many others.

2.4 Functions of the informal economy

Contrary to the previous descriptions the structuralist perspective views informal activities as closely interlinked with activities in the formal sector. A first linkage is a supply of low-cost goods and services for workers in formal enterprises. Unregulated small artisans and merchants engage in the provision of everything from cheap clothing and foot wear to auto residential repairs. Food stands, urban transport, gardening and landscaping, house cleaning and sell of second hand appliances are services supplied by informal enterprises. The consumption of basic and not so basic goods by workers in the formal sector seldom occurs through regulated market channels but is generally supplied by informal sources. Cheaper informal goods and services increase the consumption of formal wages, allowing working class households to make ends meet within the constraints of paltry salaries.

Our Kenyan experience indicates that the informal economic sector comprises both small and large-scale enterprises. This research paper is skewed towards small-scale business with a bias towards the Matatu transport sector in the informal segment.

2.5 Small scale business

Rigorously defining Small business has always been difficult even controversial. The term refers to a variety of firms (Hertz, 1982; Nguyen and Bellehumer, 1983) and most writers use it rather loosely. According to Peterson, Albaun and Kozmestsky, (1986), small business is one which is independently owned and operated and which is not dominant in its field of operation.

Any organization can be analysed from three distinct yet complimentary perspective; the task environment, organizational configuration and managerial characteristics.

The task environment as defined by Dill, (1958) and developed by Thompson: 1967, 'denotes' those parts of environment, which are relevant or potentially relevant to goal setting or goal attainment. The task environment is composed of customers, suppliers, competitors and regulatory agencies. The small business is in general vulnerable to the effects of the government. Given its limited and human resources, it spends more time adjusting to turbulence than predicting or controlling it.

Organizational configuration refers to the informal or formal structure of the organization. In small business hierarchy is often contracted and decision-making decentralized. A small business organization is rarely formalized but usually it includes three to four levels particularly in the manufacturing, d'Amboise and Gasse, (1994). Because of size in the small firm there is less interpersonal and structural differentiation in response to task diversity and departmental interdependency often are the more personalized than in the large firms.

Managerial characteristics involve the motivation goals, objectives and actions of owner manager. Deeks, (1973), describes the manager entrepreneur as a skilled crafts person who is primarily concerned with quality and reputation. The importance of owner manager in the small business cannot be overemphasized. Because of his or her central function, a greater comprehension of the role of owner manager will enhance the understanding of small business itself.

Carland, Hoy, Boulton and Carland, (1984) contend that an entrepreneur establishes and manages the business for the principle purpose of profit and growth. The entrepreneur is principally characterized by innovative behaviour and will employ strategic management in the business.

An owner of a small business establishes and manages a business for the principle purpose of furthering personal goals. The business must be the primary source of income and will consume majority of his or her time and resources. The owner perceives business as an extension of his or her personality; it is intricately bound with family needs and desires. However despite being innovative and committed to business, failure sometimes finds its way into the business organization.

2.6 Internal factors of failure

According to Holt (2004), small businesses fail due to the following internal factors:

- Inexperience
- Arrogance
- Mismanagement
- Poor business philosophy
- Lack of planning

Too often entrepreneurs launch their enterprises without having sufficient experience to succeed. Inexperience can be translated to mean a lack of technical skills or management acumen. Each of these shortcomings can lead to disaster. But an individual willing to make the commitment of time to learn about business can also overcome them.

Many small businesspersons particularly inventors and innovative entrepreneurs with new products become egocentrically engrossed in their ventures. They become consumed with their own brilliance convinced beyond reason that their bright idea will change the world. Their arrogance will not allow them to take advice from others. They will shun all innuendo of failure.

Humble entrepreneurs steeped in experience can still go under simply through mismanagement of resources; they simply make bad decisions in critical conditions or situations. Given the competitive nature of small business and the volatility of profits, business results are more sensitive to small errors. Examples of mismanagement include: over investment in fixed assets, poor inventory control and poor financial control is fatal flaw for most businesses.

Business failure is also attributed to not getting the business priorities right. In the least obtrusive way entrepreneurs may not be fully committed to the long hours required to make a venture successful. The early stages of starting a business require intensity of effort, sacrifice and ability to endure at high energy levels without becoming over extended to the point of exhaustion. As the business stabilizes, the challenge is to hire good employees who can manage in the owner's absence.

Research shows (Holt 2004) that less than half of small business owners had formal plans prior to going into business. Many engage in formal planning soon after starting the business but one third would not recall ever having a formal business plan. Little research exists to determine the extent of planning in failing business. Without planning, it is nearly impossible to acquire capital, obtain loans, solidify vendor contracts without documented sales forecast, financial statements and market analysis. Plans are guidelines for action and as a business evolves they must be continuously upgraded to reflect changes in the business environment.

2.7 External factors of failure

Holt contends that small business can also fail due to external forces such as:

- Economic business cycle
- Fluctuating interest rates
- Interrupted supplies
- Labour market supplies
- Inflation
- Government regulations
- Unstable financial markets

A general rise in consumer prices will detract sales. A similar rise in producer prices will inflate costs. However, the smaller enterprise is more susceptible to these forces than large firms. From a financial standpoint most small businesses rely on commercial loans tied to premium interest rates. Small changes in economic conditions result in huge changes in profits. Smaller businesses that are relative debt free still operate in a more intense price sensitive environment. Most cannot afford to trim prices nor can they substantially reduce costs.

Consequently, smaller businesses are more susceptible to change in the external environment. But success or failure is often a result of a phenomenon peculiar to a community or a well-

defined industry. Small businesses usually operate in an environment composed of local competitors. Still capital for investments and loans come from institutions that are influenced by National or Regional trends. There lies a crunch and too often small businessperson who cannot reconcile these contradictory forces.

In conclusion and according to Holt: 2004, most people who start small business will continue to do so because they seek an alternative lifestyle away from the cooperate environment and they will continue to focus on community endeavours. Teltscher, (1994), concludes that informal vendors cannot be viewed as independent workers in subsistence activities; sophiscated distribution systems operate for the entire economy and these create changes in individual worker's life and welfare situations.

Having looked at small business operations and factors leading to their success and failure, it is important now to move to a more realistic business segment, the commuter transport

2.8 Urban commuter transport; a brief comparison of cities of the Global North and Global South.

About one-third of urban residents in the Global South live in slums, and these numbers are steadily increasing (UN Millennium Project 2005, Garau, Sclar and Carolini 2005). Although there is widespread agreement that cities in the Global South desperately need good urban public transport, systems are not easily put in place. There is no lack of transferable ideas such as bus, rapid transit, light rail, and safe non-motorized transport to draw upon. One might think that what makes it most difficult to bring such ideas to fruition is the need to finance infrastructure or the need for rolling stock financing, but these are not the principal barriers. There is actually a great deal of financing that could be accessed via the international finance institutions, bi-lateral donors, local development banks, foreign direct investment and internal domestic resources. Rather, the principal obstacle is the widespread belief that it is impossible to make anything of sufficient scale happens in these places. As touched upon previously, there is a general belief that the formal and informal institutions of governance in developing countries are effectively dysfunctional.

The institutional structure of urban public transport systems in the Global North and Global South typically differ along two axes—market structure and system organization (Orn 2005). Systems in the Global North are characterized by monopolistic operations, publicly regulated

fare structures and clearly delineated, fixed and coordinated route systems regardless of whether they are based on bus service, light rail or metro service. In the global South on the other hand, there tend to be a wide range of variations on systems that border between paratransit and semi-fixed route operation. These include minibuses, three-wheeled vehicles, and motorized and no motorized rickshaws. The market structure is typically characterized by low barriers to market entry when no effective legal or extra-legal impediments are set in place for potential service suppliers and hence results in a highly competitive system in which individual owner-drivers compete with one another along a mix of coordinated and informally designated routes. Although owner-drivers are the norm, small fleets of vehicles in which a single owner supplies vehicles to several drivers in something akin to fleet operation are also not uncommon.

In both the Global North and Global South taxi fleets supplement the public transport system. Taxis partially compete with the public transport system for customers, though there is some clear market segmentation here. In the Global North taxi fleets are tightly regulated by the local government. In exchange for acceptance of fare and safety regulation, government give taxi owners and fleet operators protection from unrestricted entry of competitors into the market. In the Global south, taxi competition and price competition is often limited by informal organizations of taxi owners and drivers who find various ways to make life difficult for potential competitors.

This difference in the institutional organization of urban transport creates a different set of organizational-institutional challenges in each region. A major *raison d'être* for public transport is to relieve congestion. In the Global North the challenge at present is to inject efficiency and higher productivity into these systems either through a lowering of the barriers of monopoly operation or through organizational improvements in service delivery via improved labour and management co-operation. In that sense much of the contemporary Global North management debate looks much like the privatisation debate of the 20th century. In the Global South the challenge is to create formal systems or impose public order on existing informal environmental quality, improving public safety and making mobility universally available. One of the most common outcomes of the informal systems of public transport in the Global South is that they often exacerbate congestion. The goal of any reform there must be to bring order to systems that are highly competitive but where competition has a destructive effect on the ability of the

cities to develop sustainable land use and transport in an effective, efficient and environmentally sustainable manner.

It is simply not good enough to argue that nothing can be done until effective institutions of governance somehow materialize or evolve. Nor is it good enough to just call for more aid on the grounds that the need is dire. Instead it is important to engage these rapidly urbanizing places as they presently exist and begin to work simultaneously on the challenge of creating effective urban transport systems alongside institutional improvement.

In this paper it is argued that not only can the two not be separated, but to produce positive results they can and must be approached in a synergistic and complimentary manner. Progress on creating good urban transport will encourage improvement in governance, and improvements in governance will lead to further improvements not just in urban transport but also in many other critical aspects of urban development. In that sense, this approach can be seen as a specific application of a more general approach to the challenge of economic development. It reframes the argument from a "chicken and egg debate" as to whether institutional change needs to come first (Easterly 2006) or large scale investment in ways that improve the institutions of governance. After all, what use are objectives directed at institutional improvement without criteria that can be measured? A focus on improving public transport offers just such criteria and stands to improve cities in critical ways that reach far beyond the scope of conventional thinking about transportation.

In the succeeding section the researcher will turn to the specifics of the Nairobi Metropolitan region to glean lessons for moving forward in Nairobi specifically and in turn to pass on some of these lessons to other cities around the world that are facing similar challenges. Through our discussion of transportation in Nairobi, Kenya, we will show that one cannot talk about a dynamic process such as transport improvement devoid of a discussion of the institutional changes necessary to manage such an evolving system. This requires looking at a more complex picture that strictly market-based models allow.

2.9 Public Bus Transport in the Nairobi Metropolitan Region

The shape of what would become British East Africa (Kenya and Uganda) resulted from deliberations in 1888 at a conference in Berlin among the European colonial powers to divide up the African continent among themselves. In 1898 work began on a railway line to connect

the British colonial port of Mombasa on the Indian Ocean with the colonial interior at Lake Victoria. Nairobi was initially established as a way station on the rail line. In 1901 it became a city, as European settlers began pouring into East African colony as a result of its newfound accessibility and the desirability of its location.

In 1907 Nairobi was designated as the colonial capital of East Africa. By 1930 there were about 50,000 residents in Nairobi and thanks to the success of the railway, the city was continuing to grow rapidly. In February 1934 the Overseas motor Transport Company of London was granted a franchise to operate a bus service in Nairobi using 13 buses on 12 routes. In 1950, the Kenya bus Services (KBS) became an independent corporation with publicly traded shares and with a continuation of its exclusive franchise extended for an additional 21 years starting in 1953. In 1964, just after independence, United Transport International took over the management of KBS. The City Council acquired a quarter of the company's shares in 1966 and a new 20-year franchise agreement was signed. In November 1991, Stagecoach Holdings Limited of the United Kingdom bought United Transport's 75 percent share in KBS Ltd. In 1986, the Kenyan government started the Nyayo Bus Service Corporation as a parastatal under the Office of the President. It was intended to provide employment to Kenyan youths and to compete with KBS and the Matatus. The Nyayo fleet grew from 6 vehicles in 1986 to 335 in 1994 with various capacities (74 – 108 seats). Subsequently, and for a variety of interconnected reasons, KBS soon found itself struggling with declining market share, new regulation on personnel, speed and capacity and a change of routes instituted by Stagecoach; Nairobi City Council still owned 25% of the shares.

In October 1998, a consortium of local investors acquired KBS Ltd from Stagecoach Holdings. They are the present majority owners. By the beginning of the 2000s, KBS was a very weak, with limited routes and severely under-maintained rolling stock. Nyayo Bus Service Corporation finds itself in a similar declining position. It is also worth noting that a new entrant, City Hoppla, a privately owned provider, has entered the market and expanded quickly skimming traffic along profitable lines. However, Matatus predominate as *de facto* public transit in Nairobi (Aligula, et al, 2005).

2.10 Matatu Service

Matatu service in Nairobi began in the 1950's, prior to independence. The service began in response to the colonial segregation on Nairobi, which forced Africans to live largely on the

outskirts of the city limits of Nairobi, with the notable exception of Kibera, which is currently reputed to be Africa's largest urban slum (Mitullah, 2003). Therefore the public-bus-based transport system, which was designed to serve the Europeans living in the western part of the city, was by design never able to meet the needs of the African population. Area residents began using Matatus for both personal transport and to haul goods to and from nearby rural areas and to the residential zone on the eastern edge of the city where they were permitted to settle (Aduwo 1990; Khayesi 2002). With independence in 1963 and the abolition of restrictions on African residence, there was a corresponding increase in urban population. The size of the Matatu fleet expanded and Matatu operations began moving into the center of Nairobi.

When the Matatus arrived in central Nairobi starting in the early 1960s they were immediately seen as illegal competitors by KBS management and the local government authorities. This led to systematic harassment of the Matatu operators throughout the 1960s into the early 1970s. It is important to understand that by the early 1970s the Matatu operations had become a large and politically embedded industry in the Nairobi economy. As a transport enterprise, Matatu operation includes a range of formal and informal business operations: repair shops, ownership, regulation, vehicle importation, licensing and driver training. In addition, because of the quasi-legal status of the operation, there was also a network of political and other relationships that smoothed the way for the industry to operate despite official harassment. Moreover given its early history, as a solution to the mobility segregation of the colonial era there was a great deal of popular goodwill towards the operations. Ultimately legalization came to the industry via lobbying efforts by members of the business community of Kenyan President Mzee Jomo Kenyatta.

He issued a presidential decree in 1973 that allowed the Matatus to carry fare-paying passengers without the need for a Public Service Vehicle (PSV) license (Macharia 1987, Chitere and Kibua). As a result of this legalization Nairobi experienced a major increase in Matatu transport, growing from 375 vehicles in 1973 to 1567 in 1979. The Matatu Vehicle Owners Association (MVOA) was formed and in 1982, the Traffic Amendment Act recognized MVOA as a PSV operator.

After the death of President Kenyatta in 1978, Vice President Daniel Arap Moi, who moved quickly to consolidate power and declare Kenya a one-party state, assumed the presidency.

As a result the decade of the 1980s was a politically turbulent era. Matatu drivers were active participants in the protest politics of that decade. As a result of this, in 1988 the government withdrew the recognition of the MVOA as the official PVA. MVOA de-registration in 1988 initiated the fragmentation of the sector. To fill the organizational void left by the loss of the MVOA as the single official designated PVA licensee and to protect their routes from new competition, the owners and drivers reorganized themselves in route associations, which barred non-members from plying the routes of those in the association. For new entrants to enter the industry there are "goodwill" payments to the route association that must be paid before the new entrant can ply the route. According to Khayesi (2002), "there are about 150 membership-route associations in Kenya, 63 of which are in the city of Nairobi." While the route associations limit entrance of new competitors into the market, there is still competition among the existing route drivers for passengers.

The economics of the Matatu industry are straight forward. The fare box has to cover all the costs of operation. The fare in turn is limited by the low incomes of the Matatu riding. Thus the basic situation is that there is a sufficient oversupply of Matatus to cause the operators to compete fiercely for customers to earn enough income to cover the costs of operation. The result is that operators are racing improperly maintained vehicles in a stiff competition with rivals. This has predictably led to serious safety problems for both pedestrians and other road users, including other Matatu operators. In an attempt to regulate the speed of Matatus, in 1996 the Ministry of Transport required that speed governors be placed in all vehicles by March of that year (Khayesi 1999). As a result of collective political action by the Matatu owners and drivers the requirement for speed governors was quickly shelved. However the problem of safety did not go away. In 2002 for the first time the national government finally did impose new rules on Matatu operation (these took effect in 2004). Governors, which restrict operations to 80 kph, were installed in the Matatus and there was a requirement that vans could carry no more passengers than there were seat belts. The standard Matatu is a 14-passenger van, including a driver and a conductor to collect fares. Consequently it can only carry 12 fare-paying passengers at a time. Prior to the new rules these vans would sometimes hold as many as 21 passengers sitting on one another's lap.

Though it is still too early to know the full impacts of the new rules, they have so far proven largely effective at reducing speeds, injuries and fatalities. There was a reduction in accidents of about 73% in the first six months of implementation of the legal notice. Additionally, they

have done much to reduce crime in the form of cracking down on illegal cartels and formalizing the payment of matatu operators. There are some limitations and negative externalities, however, such as the tampering of speed governors to enable higher speeds, substandard seat belts, corruption and a general inability to meet the demand for more public transport (Chitere and Kibua).

2.11 The Present Urban Transport Predicament in Nairobi

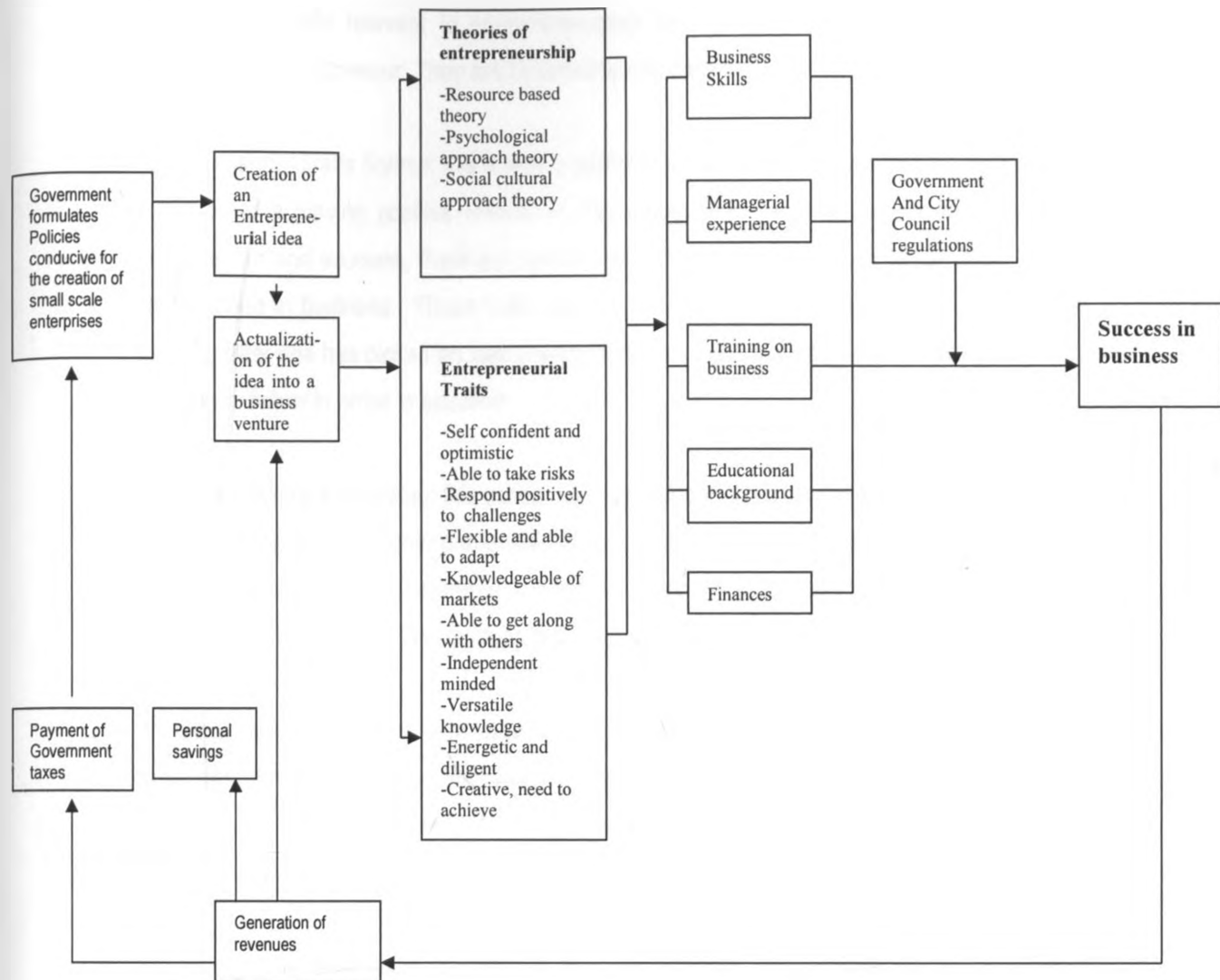
While Nairobi's unique history has been the key factor in shaping the city, the transport situation in Nairobi shares a great deal in common with other cities in the Global South. In these cities, public transport, to the extent that it exists at all, is largely an improvised system. Urban transport tends to be bifurcated and segregated by social class (Vasconcellos 2001). The most affluent residents are often chauffeured or driven in their own private vehicles on typically very poor road infrastructure in highly congested central business districts. The poor on the other hand have little access to mobility; walking is their characteristic mode of urban travel. They are often forced to share the same roadways where the more affluent ride. This lack of pedestrian accommodation contributes to both slower travel for all parties and high rates of pedestrian fatalities. When the poor do use motorized transport it is typically through informal modes of overcrowded and unsafe mini-vans or aging taxis. The operators of such vehicles often charge prices that are comparatively high in relation to local incomes. Although travel times are somewhat better at the edges of the urban centre, closer to the centre these conditions lead to chronic gridlock and travel speeds that are only slightly better than walking. The transport systems that serve the affluent are not public and the ones used by the poor are at best poor systems.

The current situation in terms of public transport in Nairobi can be summed up as follows: There is intense coverage of the city by Matatus. The various bus operations are a secondary system at best. For the majority of urban residents the primary means of urban transportation is walking. The central business district is congested all day long and travelling even short distances by motor vehicle can take an inordinate amount of time. Sidewalks for pedestrians are few, and many compete with motor vehicles for travel space on the sides of roads. The result is that there are unacceptably high pedestrian fatality rates. The air quality in and around the city is poor, which leads to high rates of respiratory disease. Nairobi is the gateway to East Africa for both tourism and commerce, but its highly congested streets inhibit the rate of

investment there. If given the space to grow, additional investment could catapult its economy into an important locus in the global economy.

Nairobi is characterized by high-density slum settlements near the central business district and other employment centres. Given a lack of good, safe and affordable public transport, the poorest people need to live within walking distance of places of employment, no matter how insufferable the conditions. However anyone who can afford to purchase a motor vehicle and move away from the centre of the city does so. The cost of motorized transport are dropping and becoming competitive with that of the matatus. Increasingly, less expensive motorized transport is taking the form of two-wheeled scooters and motorcycles. Plus an influx of inexpensive second-hand cars from Japan and other places brings the costs of car ownership within the reach of a larger swath of the middle class there. The recent introduction of very low-cost new autos in India will eventually exacerbate the situation further. All of this will create pressure to build more roads and overpasses and further the sprawl in the region. It will do nothing to solve the larger problems of improving social equality, crating environmental sustainability or enhancing the attractiveness of the city as a center of investment for East Africa.

Figure 1. Conceptual Framework



Source: Author (2009)

The diagram above shows that it is the responsibility of the government to develop laws and policies conducive for the creation of small business ventures. Once the right laws and policies are put in place, they encourage people to think on how to start business within the existing environment. The thinking will end up generating a business idea otherwise known as “entrepreneurial business idea”.

Once the business idea is developed in somebody's mind, the next step is to find ways of crafting the same into a realistic business venture. Crafting of this venture will give rise to the actualization of the idea by picking an area of interest and pursuing it.

Picking a business area alone without the relevant theories is not enough. There are two schools of thought relevant to entrepreneurship and if well taught may prepare one into becoming an entrepreneur. They are Entrepreneurial traits and Theories of entrepreneurship.

Entrepreneurial Traits School; this is where personal attributes found in people are exploited for purposes of achieving positive results. In this school, it is said that for one to become an entrepreneur and succeed, there are certain traits inherent in that person which would enable him succeed in business. These traits are in-born and therefore cannot be acquired through training. After one has picked an idea therefore, he has to be guided by these traits in choosing the path to follow in order to succeed.

Theories of Entrepreneurship; this school says that for one to be an entrepreneur and succeed, he must undergo some entrepreneurial training to enable him acquire relevant skills. In the training theories relevant to entrepreneurship are taught. In this school it is believed that one is not born an entrepreneur. That entrepreneurship can be learned.

In either school, success only depends on the right policies put in place, availability of resources, proper planning, utilization of the right strategies and employment of sound management practices. Without these parameters, one is bound to fail regardless of the school picked.

Success means generation of revenues from the business which would lead to payment of Government taxes. In turn the taxes paid would enable the Government formulate more policies for the creation of more small scale enterprises.

2.12 Other Related Work

Various studies touching on the Informal *Matatu* industry have been out. Table 2.0 gives a summary of the studies on commuter transport and various knowledge gaps therein. In this study, it will not be possible to address all the gaps identified. The study therefore will focus on ***“Why majority of entrepreneurs in the Informal Matatu industry have been unable to show significant success despite being in this business for many years”***. This is the knowledge gap this study seeks to fill.

Table 2. Summary of Literature and the Corresponding Knowledge gap

| AUTHOR | YEAR | RESEARCH , TITLES | Knowledge gaps |
|-------------------------------------|------|--|--|
| Aduwo, I.G. | 1990 | The Role, Efficiency and Quality of service of the matatu mode of public transport in Nairobi. | What Aduwo's research paper did not address was the issue of how much the matatu sector was contributing towards the social-economic development of this country. |
| Obudho, R.A. | 1992 | Urban transport system: A case of the matatu mode of transport in the city of Nairobi in Kenya. | Obudho in his study failed to compare various means of commuter transport available in Nairobi |
| Khayesi, M. | 1998 | An analysis of the pattern of road traffic accidents in relation to selected Socio-Economic Dynamics and intervention measures in Kenya. | What the paper did not touch on was the issue of training on customer care for both the Matatu drivers and their conductors |
| Vasconcellos, E | 2001 | Urban Transport, Environment and Equity: the case for Developing countries. | Vasconcellos' study had brought out fundamental issues on urban transport in Developing countries but the study failed to have a replica of the same in rural areas. |
| Khayesi, M. | 2002 | Struggle for Social Economic Niche and control in the matatu industry in Kenya | What Khayesi omitted in his studies was the effectiveness of the speed governors in relation to in the reduction of road accidents. |
| Chitere, Preston, Kibua and Thomas | 2002 | Efforts to improve Road Safety in Kenya: Achievements and limitations of the reforms in the matatu industry | The Author concentrated on transport reforms but failed to look at the running of the industry. |
| Kimani, NP. Kibua, T.N. Masinde, M. | 2004 | The role of the matatu in Kenya: Economic costs benefits and Policy concern. | However, despite the growth of the industry as indicated, the authors failed to explain why majority of entrepreneurs in the informal matatu industry have been unable to succeed despite them being in this business for many years |
| Asingo, P.O. | 2004 | The Institutional and Organizational structure of Public Road Transport in Kenya. | The Author had brought out really issues touching on the Institutional and Organizational structure of Public Road Transport in Kenya but failed to bring out the Government role in this industry. |
| Aligula, E. et. al | 2005 | Urban Public Transport Patterns in Kenya: A case study of the city of Nairobi | The author was able to take the reader through the history of Public transport in Nairobi but what he missed out in his study was to bring out the effectiveness of the then existing means of transport visa viz the organizational structure of the same |
| Orn, H. | 2005 | Urban Public Transport in an International Perspective | However what Orn failed to bring to the fore in his research paper in both the Global North and South entry and exit barriers to the commuter transport business. |
| Easterly, W. R. | 2006 | The White Man's Burden: Why the West's Efforts to Aid The Rest Have Done so Much ill and so Little Good | The author brought out important issues on how to improve urban transport industry, but he did not address the issue of sustainability. |

Source: Author (2009)

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Research design;

This section deals with the research design, which was used to conduct the study. Given the size of the population, it became necessary for the researchers to use sampling in collecting the information required for the study.

3.1 The population;

The population of interest in this research comprised of Matatu entrepreneurs operating in Nairobi in various routes. Currently according to the *Matatu* welfare Association and the Transport Licensing Board, the City of Nairobi has a total of approximately 10, 000 *Matatus*.

3.2 Sampling;

Given the big number of the Matatu operators in the City of Nairobi, it was not possible to cover all of them hence the need for sampling. Given the complexity nature of the Matatu business and the under lying logistics, the researcher found it imperative to use random sampling technique to collect the data required. The researcher found this technique to be both easy and convenient to use and apply time.

3.3 Data collection;

The researcher used a self-administered questionnaire in collecting data. This method required the respondents to fill the questionnaire and hand it back to the researcher. The people identified to fill the questionnaires were specifically those who owned Matutus and directly involved in the day to day running of this of this business.

A total of thirty questionnaires were issued but only twenty of them were filled and handed over to the researcher. The questionnaire had four sections formulated and designed to meet the researchers' specific objectives. Section A of the questionnaire was about the entry and exit barriers in this business and was partially designed to meet objective one of the research. Section B addressed the issues to do with Management experience and at the same time it was meant to address objectives one and two of this research paper. Section C was about sustainable competitive advantage, which was the researcher's third objective. Section four was about Key factors to assist Matatu operators reverse failure in their businesses. This section was also meant to address objective four of this research study.

3.4 Data Analysis;

Data collected from the field which largely happened to be quantitative in nature, was first arranged, coded and analysed as required so as to meet the researcher's specific objectives. Descriptive statistics was used to analyse the data. After the analysis, the researcher was able to come up with some findings, conclusions and possible recommendations as intended. A z – statistical test was used to analyse the data. The analysed data was summarized and presented in terms of tables and bar graphs. The analysis was done using Exel computer software, which had some inbuilt statistical tests meant for various data processing.

CHAPTER 4: FINDINGS AND DISCUSSIONS

4.0 Introduction

In this chapter, the researcher has analysed data collected from the field and presented the same in tables and bar charts. Table 3 deals with the issue of entry and exit barriers from the Matatu business. Table 4 deals with the management experience. While table 5 is concerned with the issue of sustainable competitive advantage.

4.1 Entry and exit barriers

This section is aimed at addressing objectives 1 and 2 of this research paper.

Table 3: Entry and exit

| Respondents | Responses | | | | | | Average | Z-test |
|----------------|------------|------------|------------|------------|-------------|-------------|------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | Q5 | Q6 | | |
| 1 | 1 | 1 | 2 | 4 | 2 | 2 | 2.0 | 6.02927E - 05 |
| 2 | 2 | 2 | 2 | 4 | 4 | 4 | 3.0 | |
| 3 | 1 | 1 | 1 | 2 | 2 | 2 | 1.5 | |
| 4 | 1 | 1 | 1 | 5 | 4 | 2 | 2.3 | |
| 5 | 2 | 2 | 2 | 4 | 4 | 4 | 3.0 | |
| 6 | 1 | 1 | 1 | 5 | 5 | 1 | 2.3 | |
| 7 | 5 | 2 | 2 | 5 | 5 | 5 | 4.0 | |
| 8 | 1 | 1 | 1 | 4 | 2 | 4 | 2.2 | |
| 9 | 4 | 1 | 1 | 5 | 4 | 5 | 3.3 | |
| 10 | 2 | 2 | 2 | 2 | 2 | 2 | 2.0 | |
| 11 | 4 | 2 | 1 | 5 | 4 | 4 | 3.3 | |
| 12 | 2 | 1 | 1 | 3 | 3 | 4 | 2.3 | |
| 13 | 2 | 2 | 1 | 5 | 2 | 2 | 2.3 | |
| 14 | 2 | 2 | 2 | 5 | 2 | 2 | 2.5 | |
| 15 | 2 | 2 | 2 | 4 | 4 | 4 | 3.0 | |
| 16 | 3 | 2 | 1 | 4 | 3 | 4 | 2.8 | |
| 17 | 2 | 1 | 1 | 5 | 2 | 4 | 2.5 | |
| 18 | 4 | 1 | 1 | 4 | 4 | 1 | 2.5 | |
| 19 | 2 | 4 | 2 | 1 | 2 | 2 | 2.2 | |
| 20 | 1 | 1 | 1 | 4 | 1 | 1 | 1.5 | |
| Average | 2.2 | 1.6 | 1.4 | 4.0 | 3.05 | 2.95 | 2.5 | |

Source: Field data

From the data analysis above, the population mean was fixed at 2 and above. While from the analysis, the sample mean was found to be 2.5. All the questions given carried the same weight. From the above averages, it was clear that there was free entry into this business. The responses on question one which was specifically dealing with entry and exit from the business gave an average answer of 2.2 which is very close to the population mean of 2. In addition to the above, the researcher also noted that there was stiff competition in this industry making it difficult for one to break even and make profits. The responses on the above area gave an average figure of 1.4. On the question of whether the business was profitable, majority of the respondents did not want to disclose what they earn and therefore they were non committal. The average response on that question (5) came to 3.05. On whether the operating environment was conducive for their business, the general response came to (4), meaning that they were not happy with the existing business environment.

On the question on whether the business had a bright future, majority of the respondents were not certain. Given its current form, they indicated that the business was not moving towards the right direction. This was mainly due to the intense competition, rivalry among the operators and the poor operating environment. The mean score from the respondents on the above issue stood at 2.95 against the population mean of 2.

From the findings above, it clearly came out on why majority of the operators stay in this business for long without succeeding. Business competition, rivalry among the operators and harsh working environment are some of the factors, which are greatly contributing to the above state of affair and by extension affection negatively the future of the industry.

4.2. Management experience

This section seeks to address objective 3 of this research paper. Its aim is to find out whether management experience (skills) contributes to the success of the Matatu business.

Table 4: Management Experience

| <i>Respondents</i> | Responses | | | | | | | Average | Z-test 4.07929E - 08 |
|--------------------|------------------|------------|-------------|-------------|-------------|------------|-------------|----------------|--------------------------------|
| | Q1 | Q2 | Q3 | Q4 | Q5 | Q6 | Q7 | | |
| 1 | 2 | 2 | 2 | 2 | 4 | 4 | 4 | 2.9 | |
| 2 | 2 | 4 | 4 | 1 | 2 | 2 | 4 | 2.7 | |
| 3 | 1 | 1 | 1 | 1 | 1 | 2 | 1 | 1.1 | |
| 4 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2.3 | |
| 5 | 1 | 1 | 1 | 4 | 2 | 2 | 4 | 2.1 | |
| 6 | 1 | 2 | 5 | 1 | 1 | 5 | 5 | 3.3 | |
| 7 | 5 | 2 | 2 | 2 | 2 | 2 | 5 | 2.9 | |
| 8 | 2 | 2 | 2 | 1 | 2 | 2 | 2 | 1.9 | |
| 9 | 2 | 4 | 4 | 1 | 4 | 1 | 5 | 3.0 | |
| 10 | 1 | 5 | 5 | 1 | 1 | 1 | 5 | 2.7 | |
| 11 | 4 | 2 | 4 | 2 | 1 | 1 | 4 | 2.6 | |
| 12 | 1 | 4 | 5 | 2 | 1 | 3 | 4 | 2.9 | |
| 13 | 1 | 5 | 4 | 2 | 1 | 2 | 5 | 2.9 | |
| 14 | 2 | 5 | 5 | 2 | 2 | 1 | 5 | 3.1 | |
| 15 | 1 | 5 | 5 | 1 | 1 | 2 | 5 | 2.9 | |
| 16 | 1 | 5 | 5 | 1 | 1 | 4 | 2 | 2.7 | |
| 17 | 1 | 5 | 5 | 1 | 2 | 1 | 2 | 2.4 | |
| 18 | 1 | 5 | 5 | 2 | 2 | 2 | 4 | 3.0 | |
| 19 | 4 | 4 | 4 | 1 | 2 | 2 | 4 | 3.0 | |
| 20 | 5 | 2 | 3 | 1 | 1 | 1 | 1 | 2.0 | |
| Average | 2.0 | 3.5 | 3.65 | 1.55 | 1.75 | 2.1 | 3.75 | 2.6 | |

Source: Field data

The above table represents general responses on the issue of management experience. In this section, the researcher had seven questions specifically designed to unravel the importance of management in business. In this section, unlike the previous one on entry and exit barriers and because of the wide average disparities on individual questions (1.55 – 3.75), each average response was given its own weight. Each of the averages was treated separately. Like in the previous section, the population mean was assumed to be 2. After analysing, the overall sample mean was found to be 2.6.

Going by the average responses for each individual question, question 1 tallies well with the population mean of 2. Meaning that the operators were in agreement that managerial experience was necessary for business, but coming to questions 2 and 3 on management skills

and business planning, the operators indicated that the two parameters were not necessary in Matatu operations.

Generally from the responses given, the researcher concludes that lack of managerial skills and business planning contributed immensely to lack of success in the industry.

4.3 Sustainable competitive advantage

This section is meant to find out whether elements of sustainable competitive advantage do exist in the Matatu industry.

Table 5: Sustainable Competitive advantage

| <i>Respondents</i> | Responses | | | | <i>Average</i> | Z-test |
|--------------------|------------------|------------|------------|------------|----------------|---------------|
| | Q1 | Q2 | Q3 | Q4 | | 5.42644E - 12 |
| 1 | 4 | 2 | 2 | 2 | 2.5 | |
| 2 | 4 | 2 | 2 | 2 | 2.5 | |
| 3 | 2 | 2 | 2 | 2 | 2.0 | |
| 4 | 2 | 2 | 4 | 4 | 3.0 | |
| 5 | 4 | 4 | 4 | 4 | 4.0 | |
| 6 | 5 | 5 | 5 | 1 | 4.0 | |
| 7 | 5 | 2 | 5 | 5 | 4.3 | |
| 8 | 4 | 1 | 4 | 2 | 2.8 | |
| 9 | 5 | 2 | 4 | 4 | 3.8 | |
| 10 | 5 | 1 | 5 | 5 | 4.0 | |
| 11 | 4 | 2 | 4 | 4 | 3.5 | |
| 12 | 3 | 1 | 5 | 1 | 2.5 | |
| 13 | 2 | 1 | 5 | 5 | 3.3 | |
| 14 | 2 | 3 | 5 | 5 | 3.8 | |
| 15 | 4 | 2 | 4 | 4 | 3.5 | |
| 16 | 3 | 1 | 5 | 4 | 3.3 | |
| 17 | 3 | 1 | 5 | 4 | 3.3 | |
| 18 | 4 | 2 | 2 | 2 | 2.5 | |
| 19 | 2 | 2 | 2 | 2 | 2.0 | |
| 20 | 1 | 3 | 2 | 2 | 2.0 | |
| Average | 3.4 | 2.1 | 3.8 | 3.2 | 3.1 | |

Source: Field data

Like in the other previous tests above, the population mean in this test was also set at 2 and above. After processing data on sustainable competitive advantage, the sample mean average

came to 3.1. All the elements of sustainable competitive advantage were tested. Averagely, apart from question 2 which the respondents said that that the services offered by the matatu industry seemed similar, the means of the other three questions were outside the population mean of 2. The results above meant that the operators were not sure whether the industry enjoyed sustainable competitive advantage or not.

4.4 Hypothesis testing

The researcher used a z-test in analysing the test results. The use of z-test was necessary because the researcher was dealing with only one population sample. A z-test tries to compare the population mean with that of the sample mean by establishing whether there is a positive or negative correlation between the two. In trying to test the three hypotheses given in this paper, the researcher used the 95% level confidence and was able to come up with the following conclusions;

1. On the first hypothesis saying that lack of success was due to the absence of entry and exit barriers in the industry. The researcher's z value came to 6.02927E-05 which is within the 95% confidence interval and therefore the above hypothesis was accepted.
2. On the second hypothesis, still using the Z test, the researcher got a final figure of 4.07929E-08. Therefore the researcher accepts the hypothesis at 95% level of confidence that lack of proper managerial skills by the operators contribute to lack of success in the industry.
3. Coming to the last hypothesis, the researcher got a final figure of 5.42644E – 12 and accepts the hypothesis at 95% level of confidence that lack of success in this business was due to lack of sustainable competitive advantage by individual operators

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Summary

The findings from this research paper have brought out a number of factors, which are contributing to lack of success in the Matatu business. Which include; Lack of proper managerial experience to run the business, limited business skills and lack of business planning. Almost 95% of people interviewed confirmed that they did not have business plans.

Secondly, lack of success as per the research findings were attributed to lack of sustainable competitive advantage. It was found out that the services, which the operators were offering, were not rare and valuable and would be easily copied and substituted hence making the business free for all.

Thirdly, it was also discovered that the industry had quite a number of operators competing for the same business, creating unnecessary competition hence encouraging others to use unethical practices in conducting their businesses. This ends up creating business imbalance hence affecting the growth of the industry negatively and at the same time making it unprofitable.

Other factors affecting the success of this business included poor operating environment, inflationary trends and lack of Government support as both a regulator and a protector.

5.1 Conclusion

Based on the research findings, all the three hypotheses in this paper were tested and proved right. Most respondents were in agreement that for business to succeed and thrive business planning was necessary and this goes hand in hand with good managerial skills and experience. Further an industry like this to succeed, the Government must come in and support it. To this end therefore it is the duty of the operators to appeal to the Government for support, protection and direction.

Though the researcher had done some good work and had proved right the underlying hypotheses, but given the size of the sample used it would not be possible to generalise the research findings. As a result of the above therefore and for purposes of generalization it

would be better to carry out the same study using a larger sample. This would enable the researcher generalize his research findings to the entire population with confidence.

5.2 Recommendations

In this paper the researcher recommends that for the business to turn around and be successful, the following need to be done;

- The operators be asked to develop plans for their businesses indicating the capital in-flows and out-flows hence the net profits.
- Secondly, in order to protect this worth industry, the Government should step in and assist regulating it.
- Given the critical role the industry plays, the Government in partnership with the private sector, should find ways of training the operators on how to be good managers.
- Given its powers, the Government should try to give attention to the poor working environment by improving the roads and other infrastructure.

5.3 Limitations of the study

This study was constrained by the slow base of responses from the respondents. Many respondents even declined to fill the questionnaires. Another constraint was on finances. Some respondents demanded that they be paid something small before filling the questionnaires. Money was also needed for other logistics but the same was not available.

5.4 Suggestion for future studies.

The researcher was of the view that the informal sector plays a major role in the economic development of this country by way of generating revenue to the Government and provision of employment to the majority of Kenyan youth. The potential of the sector has not been fully exploited due to lack of start up capital, awareness and lack of entrepreneurial skills to enter into the sector. To this end it is recommended that a further research be carried out to establish why there is little government support in this sector (Matatu industry).

Secondly, it was found out that majority of the operators were in the industry without managerial skills, it is therefore recommended by the researcher that a further research be carried out to find out the reasons behind this.

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Dear Respondent

RE: IS TO FIND OUT FACTORS WHICH ARE CONTRIBUTING TO SOME ENTREPRENEURS IN THE INFORMAL MATATU SECTOR NOT TO SUCCEED DESPITE BEING IN THIS BUSINESS FOR MANY YEARS

This questionnaire has been designed to gather information on the above subject. This is purely an academic research paper and is in partial fulfilment for the award of the degree of Doctor of Philosophy, School of Business – University of Nairobi.

I kindly request you to fill the questionnaire and the information that you provide will be treated with utmost confidence and in no instance will your name or that of your Institution be mentioned in the report.

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

Thanking you in advance.

Yours faithfully

MR. B.N. OTACHI
Ph.D STUDENT

QUESTIONNAIRE**KEY**

1. Strongly Agree
2. Agree
3. Don't know
4. Disagree
5. Strongly Disagree

SECTION A – Entry and exit barriers

| | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|
| 1. It is easy to enter into the matatu Business. | () | () | () | () | () |
| 2. There is a high number of operators in this business. | () | () | () | () | () |
| 3. There is intense competition (rivalry) in this business | () | () | () | () | () |
| 4. The operating environment is conducive for business | () | () | () | () | () |
| 5. The business is profitable | () | () | () | () | () |
| 6. There is bright future in this business | () | () | () | () | () |

SECTION B – Management experience

| | 1 | 2 | 3 | 4 | 5 |
|---|----------|----------|----------|----------|----------|
| 1. Long experience contribute positively To the success of the matatu business. | () | () | () | () | () |
| 2. Management Skills are not necessary In running a successful business. | () | () | () | () | () |

- | | | | | | | |
|----|---|-----|-----|-----|-----|-----|
| 3. | Business planning is not necessary in Any business | () | () | () | () | () |
| 4. | Owner's Vision contribute immensely To business success | () | () | () | () | () |
| 5. | Lack of government support as a Regulator is an impediment to Successful business | () | () | () | () | () |
| 6. | Inflationary trends are not good for Business | () | () | () | () | () |
| 7. | Lack of capital has nothing to do with Business success | () | () | () | () | () |

SECTION C – Sustainable competition

- | | 1 | 2 | 3 | 4 | 5 | |
|----|---|-----|-----|-----|-----|-----|
| 1. | Do you consider your services to be rare as far as the industry is concerned? | () | () | () | () | () |
| 2. | The services being offered by matatus owners seem to be simil. | () | () | () | () | () |
| 3. | The services that you offer is not valuable. | () | () | () | () | () |
| 4. | It is claimed that your services are are easily substitutable. | () | () | () | () | () |

SECTION D - Key factors to reverse the current trend

Please indicate by listing, what should be done to improve the matatu business;

1. _____
2. _____
3. _____
4. _____