

**EFFECT OF ETHNICITY, RELIGION AND SOCIAL STRUCTURES  
ON ENTREPRENEURIAL CULTURE AMONGST SMES IN  
NAIROBI**

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## **DECLARATION**

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

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## **DEDICATION**

This project is dedicated to my late father Isaac Muturi who encouraged me to pursue a master's degree. We dearly miss you

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## **ABBREVIATIONS AND ACRONYMS**

CBD- Central Business District

EEM- Entrepreneurial Event Model

ERS- Economic Recovery Strategy

SN- Subjective Norms

TPB- Theory of Planned Behavior

TRA- Theory of Reasoned Action

UK- United Kingdom

US- United States

## ABSTRACT

Entrepreneurship is an act of transforming innovation into economic goods, and of discovering new methods and resources. Entrepreneurs generate evolutionary change in economy and propel a country's future development. The focus of this study was on the determination of the role of ethnicity, religion and social structures on entrepreneurial culture among SMEs in Nairobi. Specifically, the study targeted entrepreneurs from Muthurwa and Eastleigh market to determine how religion, ethnicity and social structures influence the rate of entrepreneurial culture. This research was a survey study pitting a sample size of 80 respondents carrying out different business ventures in Muthurwa and Eastleigh market. The Simple random sampling technique was used to make a selection of entrepreneurs from different ethnic backgrounds, different religion and different social structures. The study used both qualitative and quantitative data. Data on perceptions, attitudes and beliefs of entrepreneurs was gathered as well as quantitative data like business income, age and investment among others. The primary source of data was obtained by the use of a semi-structured questionnaire, analyzed using descriptive statistics. The analyzed data was summarized and presented in the form of frequency and percentage distribution tables, as well as utilizing a 5-point-Likert scale. The study finding showed that the development of entrepreneurial culture in Kenya is influenced by ethnicity, religion and social structures. The conclusion stated any other imperative findings brought out by the study. The study recommends that individuals, families and ethnic groups must seek to examine the relevance of the existing values and socio-cultural systems in their economic progress and should only embrace values that are capable of guaranteeing their achievement of economic progress and development. In addition, the government should fund entrepreneurial ideas as finances were found to be one of the main factors that influence entrepreneurial culture. Governments must also seek to enlighten people through programs that will enable them to appreciate new values and consequently adopt them and appreciate them. In order to do this, socio-cultural change agencies consisting of psychologists and sociologists who will be able to design and implement relevant and effective programs to inculcate in individuals new desired values.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Entrepreneurship is fundamental for economic growth. Its importance in the economic progress of any given economy, as manifested through job creation and eradication of poverty is proven (Gree & Thurnik, 2003). According to Light and Rosenstein (2005), entrepreneurship refers to the ways of seeking opportunities in the marketplace and availing resources to exploit these opportunities for a long-term benefit. It is the process of planning, organizing, taking opportunities and assuming risks. Entrepreneurs and not bureaucrats are responsible for economic development. Therefore, the need for the economy to mold and facilitate potential entrepreneurs is on the rise for countries that desire economic power (Kalkan & Kaygusuz, 2012).

According to Kalkan & Kaygusuz (2012), value systems determine the behaviors and codes in which individuals belonging to a particular society or grouping conduct themselves. These views were confirmed by Alwis and Senathiraja (2003) who indicated that the formation and development of a business are highly influenced by the socio-cultural and personal background factors of an individual. As such, entrepreneurs are greatly shaped by their interaction with the external environment in their day to day operations. Social institutions affect how individuals and other stakeholders perceive entrepreneurship and their desire to take part in it.

Entrepreneurship in the developing countries has been perceived differently from their developed counterpart mainly due to cultural diversity. Various theorists and scholars have overtime explained and confirmed that culture greatly impacts on the levels of entrepreneurship. This explains why some communities have been observed to be more entrepreneurial than others. For instance, with the majority of African countries being predominantly patriarchal, the participation of women in entrepreneurship is limited.

According to Wagner (2005); Reynolds et al., (2004), persons of the female gender are less likely to become entrepreneurs than those of the male gender.

In Kenya, the most dominant elements of culture that influence entrepreneurial behavior are religion, ethnicity and social grouping. For instance, according to Weber (1976) in his sociology theory, religion greatly influences entrepreneurship. In his theory, he illustrates the protestant work ethic and clearly explains why Protestants tend to be more risk-bearing than the Catholics. Moreover, Hofstede (1991) identifies power distance as an important dimension of culture which shapes entrepreneurial behavior. Similarly, entrepreneurship acumen has been observed to vary across diverse ethnic groups. A study by Mungai and Ogot (2010) showed that entrepreneurial traits vary to a great extent among their four ethnic groups of study (Kikuyu, Luo, Kalenjin, Kamba). There is, therefore, a great need for a study to understand the extent to which these elements of culture influence entrepreneurship in Kenya.

Kenyans are turning to SMEs, in seeking better alternatives and to gain higher incomes. As the economy is continually showing weaknesses in growth and greater levels of unemployment, continues to register weak signs of growth and high levels of unemployment, an indication that more SME's are likely to be set up. Muthurwa and Eastleigh market are two of the main locations where SMEs are growing day by day and which have become a source of livelihoods for people of different ethnicity, religion and social structures. The two markets therefore offer a good context to study the role of ethnicity, religion and social structures on entrepreneurial culture.

### **1.1.1 Ethnicity in Kenya**

Ethnicity in many African countries determines how people behave and who they relate with. Ethnic belongings have an effect on who one trusts, engages in business with, gets into marriage with and which policy makers they elect. The debate as to why Africans strongly hold to their ethnic backgrounds is still alive. Some scholars argue that ethnicity is strongly tied to socio-economic practices and there is a lack of incentives to transform while others view it as a political construct. An example in Kenya was the 2007 post-

election violence when Kenya was divided purely on a tribal basis. Various efforts have been made to subordinate ethnicity to nationhood (Ochieng, 1989), however with minimal success.

Kenya is a multi-ethnic country with more than forty-two ethnic groups. A majority of the Kenya population is composed of individual from a few ethnic groups mainly: Kikuyu; Luo; Kamba and Kalenjin. These being the most dominant ethnic groups greatly influence leadership and consequently policy making in the country. According to Light and Rosenstein (2005), Ethnic groups are more adapted to resources available within their environments which are varied both across societies and with time. Stewart and Danes (2011) argue that, in the age of the globalization, the most entrepreneurial communities win.

According to Snyder (2000); Wilkinson (2004); Snyder and Mansfield (2005) large enterprises in African countries have been on the basis of ethnic alliances. Ethnic groups influence the policy makers who represent their ideologies. Moreover, ethnicity goes hand in hand with indigenous languages which to some extent influence one's communication and business location (Duranti, 1997). Katzner (2002) adds that individuals find it so easy to communicate in their native languages than in acquired dialects. As much as ethnicity is deemed to be an individual attribute, it contributes to the culture of people as different individuals interact within families, social groups and societies (Winter et al, (2004). However, its impact on entrepreneurship has been ignored by researchers.

### **1.1.2 Religion in Kenya**

Edward Taylor simply defines religion as believe in a spiritual being. “It is the instrument through which we understand the conciliation of powers superior to man which are believed to direct and control the course of nature and of human life” George Frazer. This study shall adapt Émile Durkheim's definition that considers religion to be a unified system of beliefs and practices relative to sacred things. Religion shapes the attitudes, perception and belief of individuals which subsequently determines their entrepreneurial

behavior.

According to Eisenstadt (1968), religion has a transformative potential for economic motives and activities. He further explains this transformative potential as the capacity to legitimize things on the basis of religion resulting in the development of new motives, activities and organizations. Religion alters individual responsibility and behaviors which overtime leads to redefinition and reformulations of the surrounding. Eisenstadt (1968) therefore concludes that religions with high transformative potential are capable of altering entrepreneurial behaviors.

The three dominant religions in Kenya are Christianity, Islam and Hinduism with Christianity being the most dominant. This study seeks to understand how entrepreneurs from different religions perform in an attempt to answers the question where some religions are more likely produce entrepreneurs than others.

### **1.1.3 Social structures in Kenya**

Hofstede (1984) explains the social class dimension of culture by referring to it as power distance. In this, he defines power distance as the degree to which differences in power in a society and organizations are acceptable. This is the extent of how much people are equal or unequal in a given country. A high power ranking indicates high levels of inequality in the distribution of power and wealth while a lower level shows high levels of equality. Where there are low power distance, equality and opportunity for everyone is stressed (Hofstede, 1984; Lee & Peterson, 2000). Entrepreneurs are more likely to prefer larger power distance situations than non- entrepreneurs. According to Hofstede (2000), power distance significantly influences entrepreneurship. It determines involvement in decision making, internal communication and the general participation behavior of a given individual in a given system.

In the Kenyan set up, the society is divided into three broad categories: the low class, the middle class and the wealthy. This study shall seek to understand which of these grouping tend to be more entrepreneurial than the other and what specific factors increase the

entrepreneurial motives of that group. It shall also study how the different social classes influence each other.

#### **1.1.4 Entrepreneurial Culture in Kenya**

In the past three decades, Entrepreneurship has been given greater attention and evidence shows that it drives economic growth to a great extent (Audretsch and Keilbach 2004; Wennekers 2006). Similar to any developing country, Kenya faces challenges in unemployment, poverty, poor production methods and lack of resource mobilization. For instance, the number of people living below the poverty line rose from 46.3% in 1992 to 56.7% in 2000 and has remained at 50% since 2003 (Bwita & Nzomo 2011).

However, in the recent past, the government has recognized the importance of entrepreneurship in tackling these challenges by encouraging more entrepreneurship activities. For instance, in the past few years, the government's Economic Recovery Strategy Paper for Wealth and Employment Creation (ERS) 2003-2007 expressed Kenya's renewed desire to promote entrepreneurs. The government also attempted to simplify acquisition business licenses through amending the Companies Act, the enactment of the Investment Promotion ACT (2004) and the preparation of the Sessional Paper No. 2 of 2005 on 'Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty.

Recently, Kenyan entrepreneurs have faced numerous challenges ranging from poor access to finance, poor policy environment, unfair competition from imports to poor infrastructure. However, the government of Kenya has shown various efforts to promote entrepreneurial culture in Kenya. Recent efforts include private-public partnership which has significantly improved finance, creating of special funds to target marginalized groups, creating more friendly policies to ease business registration and operation. The government has also established business incubation center in almost every county to mentor potential entrepreneurs.

## **1.2 Research problem**

The ability of entrepreneurship to tackle the challenges of unemployment, poverty and to provide sustainable solutions in Kenya has remained in question (Manu, 1999). According to estimates, up to 75% of small enterprises initiated in Kenya experience failure three years into their initiation (Njeru, 2006). According to Dondo and Ngumo (1998), this poor performance can be attributed to lack of entrepreneurial culture in Kenya. Reynolds et al., (2003) indicated that the level of entrepreneurship varies significantly between societies due to factors like social, cultural, political and entrepreneurial framework conditions.

The debate as to whether cultural factors influence entrepreneurial motives or not has continued overtime with various theorist presenting contradictory views. For instance, the protestant ethic emphasizes individualistic culture to foster entrepreneurial behavior's attributes like innovation, risk-taking and need for achievement (Hayton et al., 2002; Kreiser et al., 2004). Others, on the other hand, have argued that culture and the socialization process have no bearing on it (McGrath et al., 1992). Similarly, in Kenya, the Hindu religion which practices more communal activity than their Christian counterparts is seen to be more entrepreneurial whereas Hofstede (2000) argues that entrepreneurship thrives in individualism. This study will, therefore, seek to understand the impact of religion on entrepreneurial behavior using more objective and empirical methods.

Moreover, various efforts have been made in vain to subordinate ethnicity to nationhood in Kenya (Ochieng, 1989). This has resulted in a situation where the control of resources and opportunities is highly based on ethnic affiliation. For instance, more often government tenders have been allocated on tribal lines. This has resulted to the marginalization of some ethnic groups that lack representation. Meanwhile, Kenya's Vision 2030 places an emphasis on the need to have an appropriate entrepreneurship strategy in the creation of wealth as a means to increase the international competitiveness of the country (Njeru, 2006). Nevertheless, the factors that influence entrepreneurial

activities in this multi-ethnic; multi-cultural nation have not been exhaustively researched (Willis, 2014).

Besides, studies that correlate cultural and social factors to the development of entrepreneurial behavior are scanty not only in Africa but in Kenya specifically. This study shall thus focus on the problem of perceived lack of and disparities in entrepreneurial behavior among ethnic communities in Kenya (Dondo & Ngumo, 1998). Igusi (2002) points out that entrepreneurship promotional effort in Africa seldom contains studies of subgroup cultures and the result is failure. This suggests further that cultural knowledge is pertinent to the success of small enterprises in the fight against poverty and unemployment not only in Kenya specifically but also in Sub-Saharan Africa at large: an issue that has largely been overlooked.

This debate has raised questions as to whether religion, social structure and ethnic background of an individual determine their desire and success in entrepreneurship. And if so, how strong is the relationship between these concepts? to what extent is religion, ethnicity and social structures a determinant of entrepreneurial culture? And to what extent does culture influence entrepreneurial culture in Kenya? This study shall therefore seek to answer these questions more objectively.

#### **1.4 Research objectives**

The general objective of this study shall be to establish the role of religion, social structure and ethnic background in entrepreneurial culture. The specific objectives of this study are:

- a) To determine the role of ethnicity on entrepreneurial culture
- b) To examine the extent to which social structure influence entrepreneurial culture
- c) To establish the role of religion on entrepreneurial culture

#### **1.5 Value of the study**

The small and medium enterprises have received much attention from policy makers in the recent past. This is due to the crucial role that this sector plays in the fight against

poverty, employment creation and economic growth (Manu, 1999; the Republic of Kenya, 2003) However; some of these policies have not been made based on empirical evidence. The finding and recommendation of this study will guide policy makers in understanding the cultural factors that drive entrepreneurship in Kenya. It will enable them to formulate policies that address the specific needs of local entrepreneurs.

Secondly, this research will help existing and potential entrepreneurs understand how religious, social and ethnic backgrounds can create opportunities or threats to the business. This will help in making more informed business decisions, leading to better business performance and long run entrepreneurial culture in Kenya. This study will also add to the existing knowledge of entrepreneurship. Most of the existing literature is based on studies done in other countries and more especially in the developed countries. This study specifically targets studying unique groups that have not been studied before; it will lead to new knowledge. Similarly, it will lay the foundation for scholars who would want to further explore this subject. The research report could also be used in institutions of higher learning for academic referencing.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the available theoretical and empirical literature that is relevant to this study and consistent with its objectives. Previous studies conducted on the study variables and their findings are discussed. The chapter concludes by identifying the research gap, developing the conceptual framework and a summary of the literature review.

#### **2.2 Theoretical Review**

In this section determinants of entrepreneurship and relevant theories are discussed. There are many theories in existing literature that are relevant to entrepreneurial culture. This study identifies two of the most relevant theories and discusses them in depth. These theories are Shapero and Sokol's Entrepreneurial Event Model (EEM) and Hofstede Cultural Dimension Theory.

##### **2.2.1 Shapero and Sokol's Entrepreneurial Event Model (EEM)**

The Shapero and Sokol's entrepreneurial event model (EEM) 1982 was initially not proposed as a model but was eventually accepted to be a valid model and to be used in various literature (Kermit, 2008). This model seeks to explain the various processes leading to an entrepreneurial event (Kollmann & Kuckertz, 2006). Shapero and Sokol assumed that human behavior is guided by inertia up until a certain event unblocks the desired behavior. For example, a job loss may alter the perception of the importance of self-employment.

Shapero and Sokol (1982) made a classification of this life path changes and grouped them into three key categories: In The first category, negative displacements like being declared redundant, being insulted, losing a spouse or marriage separation were included, the second category included activities such as high school graduation, university graduation or being released after serving a jail term. The third category comprises of the

positive actions of mentors, customers, partners or investors.

The behavior that is performed eventually is dependent on the reliability of alternative forms of behavior and the motivation to act. Drive in this context is given when there is perceived feasible and viable behavior. However, this alone is not sufficient to implement a desirable behavior; a displacement event, a precipitating event that changes propensity to act and this perception in such a way as engage in the desired behavior. Thus, if an event triggers the mind of an individual and changes his perceptions of how viable the event is, the person may be motivated to act if the desire for the specified behavior is greater than that of the alternatives and if the person has a higher propensity to act on that action (Shapiro and Sokol 1982).

Shapiro and Sokol (1982) state that family, culture; peers, mentors, previous work experience and colleagues strongly influence personal values and the perceptions of the individual. Past experiences are also a factor of future desires. Perceived feasibility is an indication of the extent to which someone feels he is capable of, e.g., starting a business. The concept of perceived feasibility is similar to Bandura's self-efficacy, which is often used to measure perceived feasibility (Krueger et al., 2000).

### **2.2.2 Hofstede Cultural Dimension Theory**

According to Hofstede (1991) culture is defined as "the collective programming of the mind which distinguishes the members of one group or category of people from another". These mental constructs greatly impact on how people are socialized and consequently on how they perceive things. These mental constructs also determine which behaviours are considered appropriate and which are considered unacceptable. Differences in these mindset sets result in cultural diversity.

Through a massive study involving more than fifty countries, Hofstede identified various dimensions of culture that could be used to explain and describe human behaviours. These were as follows: power distance, masculinity, uncertainty avoidance, individualism and long-term orientation. Overtime, proponents of this theory like Russell (2004) have

introduced more dimensions in an attempt to enhance the study of entrepreneurial culture.

### **2.3 The concept of entrepreneurship**

From works that already exist in this field, it is clear that there are several dimensions to the concept of entrepreneurship. Often these different dimensions are stressed in context to one's arguments. This implies that the concept of entrepreneurship is broad and cannot simply be confined to starting and running a venture alone. An entrepreneur understands that a successful business is one that has some basic systems such as strategic planning, financial management, marketing among others. There exists much literature in this area.

Brewer (1992) was the first to use the term entrepreneurship in a precise way and argued that entrepreneurs were involved in the equilibrium of supply and demand. Wood (1996) saw entrepreneurship as the task of providing and supplying innovativeness and progress in business. According to him, an entrepreneur should take into consideration only innovative ideas and continuously seek opportunities to maximise profits through minimizing costs, bearing market risk in mind and coordinating labour and capital.

Schaper (2010) follows Schumpeter's view and argues that entrepreneurship is more of an attitude of developing innovative ideas into reality and setting up new business models to replace conventional systems. According to Schaper (2010) entrepreneurs intend to create their source of income and give back something of value to the society. The best way to achieve this is to turn a future-oriented creative idea, into business reality. According to Skeldon (1999), an entrepreneur can embrace success provided he can exploit opportunities based on his characteristics and abilities.

Taloo (2007) summarizes the concept of entrepreneurship in four dimensions: The entrepreneur is the central dimension with his personality, skills, and traits. The entrepreneur should identify and exploit opportunities for his venture in the surrounding environment. The environment includes the economic, socio-cultural, and politico-legal conditions, determining if the entrepreneur can get the necessary resources to realize his business plan and to fruitfully maintain the new venture. Entrepreneurs pay attention to

any minor or major details in the course of running the venture; and perceive business matters and strive to efficiently perform in planning, management and coordination (Nandan, 2013).

#### **2.4 Determinants of entrepreneurship**

Weber (1976) emphasized the influence of culture on entrepreneurship and argued that Protestant work ethic encouraged a culture of individualism, entrepreneurship, rationality and self-reliance, which was fundamental to the spirit of modern capitalism. Shapero (1985) came with evidence championing the idea that some ethnic groups are likely to be more intertwined than others on participation either in or not in entrepreneurial activities. He, however, stresses that not all ethnic or racial groups have a higher propensity to become self-employed” (Shapero, 1985).

Wheeler (2006) makes arguments along this line that a person is exposed to certain cultural beliefs and practices that mold not only perceptions but also one’s career path. Thus, the choice to engage or not to engage in an entrepreneurial activity is influenced by one's culture. From our birth to adulthood one is subjected to various socio-cultural influences. In some cultures entrepreneurship is not socially respectable. A person with high education and a prestigious job enjoy better social status compared to a self-employed person. Obviously, in some cultures, individual and social aspirations are not attuned towards entrepreneurship in any case (Wheeler 2006). Walton-Roberts and Hiebert (1997), while referring to the role of social class in business continuation amongst Indo-Canadian entrepreneurs, argues that the extended social class networks are central tenets of the establishment and sustainability of business.

Marthen et al. (1998) discuss the Cultural Block Theory in which cultural or religious causes can block some communities from involving themselves in entrepreneurial activities. The shortage of entrepreneurs due to blocking religious or cultural practices becomes an opportunity for the immigrants, enabling them to take up a business in a host country without worrying about stiff competition. To exemplify this, the scholars suggest traditional Javanese society, which had considered venture activities as a dishonourable

job, and thus allowed the Chinese in the past and Dutch companies during the 1950s to penetrate the market.

Ethnic resources have some particular ethnic, cultural values and kinship-related ties which are key critical issues for entrepreneurship (Skeldon, 1999). Some ethnic groups have the propensity to be more successful than others. Storey (1994) finds out the most successful ethnic groups are the Indian, Pakistani and Bangladeshi in the UK. But according to Butler & Greene (1997) the Jewish and Asian communities take the leading entrepreneurial initiatives in the USA while the least successful groups are the African, Caribbean and Guyanese people in the UK and African American in the US (Van Fleet, 1996).

Waldorf (1994) places emphasis on the hostile environment in a country towards entrepreneurs of a certain religion. In such cases, Waldorf suggests that the assimilation process can be beneficial in reducing the hostility, about religious participation in social get-togethers and cultural occasions in the country, thus enabling both sides to interact closely with each other and to learn to live side by side in a shared environment. Taking this argument further, Lipshitz (1993) suggests there are major concepts regarding cultural assimilation to be taken into account, the major one being multiculturalism.

## **2.5 Ethnicity and Entrepreneurship**

A broad spectrum of individual characteristics, ranging from personality attributes to risk aversion to education and human capital and unemployment are found to influence individuals' entrepreneurship choice (McClelland, 1964). Thus, an important section of research has emerged seeking to identify the reasons as to why certain people chose to start a new business while others abstain from entrepreneurship (Lumpkin and Dess, 2006). As a home to some ethnic groupings and dominant religions, Kenya provides an interesting context in which to evaluate the relationship between ethnicity and economic behaviours.

Several studies have been carried out to determine whether ones' community has an

influence on entrepreneurial orientation, and their findings have almost been similar. Basu and Altinay (2001) carried out a study of different communities in London to determine the impact of race and ethnicity on entrepreneurial capability. Their sample consisted of respondents who had their origin in India, Asia, East Africa, Pakistan, Bangladesh, and Turkey. The findings showed diversity regarding entry business motives, sources of start-up capital and family involvement in business among the different ethnic groups. The evidence suggested that the interaction between culture and entrepreneurship was stronger in the case of some communities than others.

According to Adler and Kwon, (2012), language, history, and ancestry are key elements that form the identity of an ethnicity. Using national census data to study the rate of self-employment, Fairlie and Meyer (2003) recognized as many as 60 ethnic groups in the United States. They argued that there is much uniqueness that creates variations within tribal groupings. Whether the team is composed of natives or immigrants to the United States, the longevity of their stay in the country, and whether they have had prior entrepreneurship history, the social networks and organizing capacity of the group and how residentially segregated the group is or has been may influence businesses' operating and financial patterns.

## **2.6 Religion and Entrepreneurial Culture**

Singer (1966) in his study found that the Hindu religion has an influence on the choice of becoming an entrepreneur in India. According to his research which involved all the main religions in South Asia i.e. Christianity, Buddhism, Jainism, Hinduism, Islam, and Sikhism, the Hinduism religion gives less encouragement to change a person's situation regarding economic well-being. His findings suggested that there are convincing reasons to conclude that religion has an influence on economic behavior in the Indian context. According to Uppal (2001), people originally from the southern part of Asia are deeply religious and that religious beliefs affect all the aspects of their lives including activities geared towards material advancement.

Clark and Drinkwater (1998) carried out a study on the influence of religion on

entrepreneurship capabilities in the United Kingdom and North America. The result findings show that immigrants of the Asian origin in the United Kingdom and North America exhibit more entrepreneurial characteristics. According to Barro and McCleary(2003), recent studies suggest that there exists a relationship between religion and economic performance. Iannaccone (1998) in his conclusion stated that at the level of individuals and households, economic behavior has a high correlation to religious beliefs.

Barro and McCleary (2003) made an assessment of the impact that adherence to religious beliefs has on economic performance by using data from an international survey on religion. The results of the study showed that church attendance had a negative implication on economic performance while the belief in hell and in the afterlife had a positive influence in economic growth. These empirical findings have raised several questions which remain unanswered like the means by which religion impacts economic activities and whether this is applicable to all religions.

## **2.7 Social Structures and Entrepreneurship**

Weber derived many of his major arguments on social stratification by conducting an examination on the social development in Germany. He noted that contrary to Marx's theories; stratification was based other factors other than ownership of capital. Weber examined the number of members of the aristocracy who lacked economic wealth yet had powerful political influence. Weber in his theory of stratification hierarchy identifies three factors that lay the foundation of his theory which are status, class and power. According to the result of his studies, individuals from the same social class exhibit the same characteristics while those from different classes behaved differently (Aldrich, et al. 2001).

Walton-Roberts and Hiebert (1997), while referring to the role of social class in business continuation amongst Indo-Canadian entrepreneurs, argues that the extended social class networks are central tenets of the establishment and sustainability of business. Wheeler (2006) conducted a study on the influence of social class on entrepreneurial growth in the United States. The results of his study indicated that individuals in the low social class

are less likely to be self-employed while the wealthy class is less likely to stick in employment with the majority opting for entrepreneurship at a tender age of twenty-one years. The middle class had combined characteristics of low social class and the wealthy class with some opting for employment and some venturing into business after a short period of employment.

Banerjee and Duflo (2008) in their overview examining the middle classes around the world concluded that if the middle-class matters for growth, it is probably not because of its entrepreneurial spirit. Middle-class entrepreneurs run ventures mostly because they cannot find the right salaried jobs are not available, and their entrepreneurial ventures are very similar to those of the low class. The main distinguishing factor is that they are less likely to be in farming businesses when they live in rural areas. Working on their own, they can make about the same amount of return or more as if they were in salaried jobs while working more hours but less intensive, assuming they could find employment. They depict their ventures more as means of sustenance than as engines of growth.

## **2.8 Summary of Literature and Research Gaps**

This chapter analyzed the literature review which included the discussion of the theoretical framework and empirical review. From the available literature, little attention has been paid to how ethnicity, religion, and social structures affect the fundamental entrepreneurial process (Aldrich and Cliff, 2003; Dyer, 2006; Rogoff and Heck, 2003). Considering the context of Kenya multi-ethnic setup, different religions, a wide gap between the have and the have-nots it is important to establish the role of social set-up, ethnicity and religion on entrepreneurial culture.

The majority of studies on ethnicity and entrepreneurship, religion and entrepreneurship and even social structures and entrepreneurship, for instance, have been conducted in developed countries; Kenya presents a unique multi-ethnic set-up that has not been explored. Past studies have failed to analyze the relationship between any of these three explanatory variables on entrepreneurship in developing countries. Thus, the objective of this study is to bridge the knowledge gap that exists by determining the role of ethnicity,

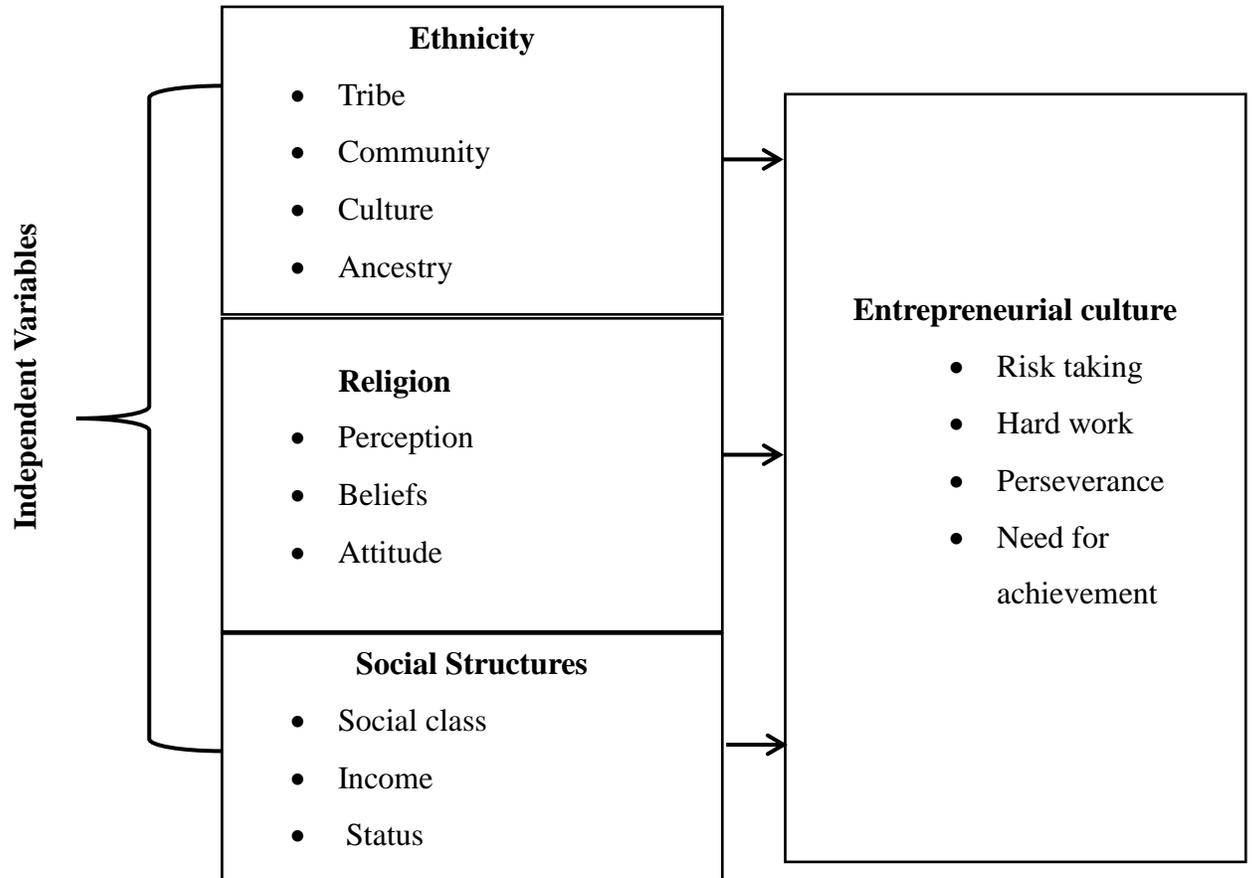
religion and social structures on entrepreneurial culture in Kenya.

## 2.9 Conceptual Framework

The figure below shows how the three elements of culture namely: Ethnicity, Religion and social structures influence entrepreneurial culture amongst SMEs in Nairobi.

### Independent Variables

### Dependent Variable



Source :( Author, 2016)

Figure 1: The relationship between the dependent and independent variables

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the research methodology that was employed in carrying out the study; it also contains the research design, target population, and the sampling design, test of reliability and validity, data collection procedures and data analysis.

#### **3.2 Research Design**

In this study, the dominant research design was explanatory research design. However, to achieve optimal results of the study, a descriptive research design was adopted in defining some major concepts of this study. For instance, a descriptive research design was used to define concepts like ethnicity, religion, and social stratification which were consequently set the grounds for further analysis in explanatory design. According to Saunders, Lewis & Thornhill (2003), use of multiple designs improves the validity of a study. Cooper and Schindler (2001) also found out that an explanatory research designs use theories or hypothesis to explain events that caused a certain phenomenon to occur. The purpose of descriptive research is to; observe, describe and document the aspects of a situation as it naturally occurs (Polit & Hungler, 1999).

#### **3.3 Target Population**

This study targeted eighty small-scale entrepreneurs' trading at both Muthurwa market located in Kamukunji within the Eastlands area of Nairobi East District and Eastleigh market located east of the Central Business District (CBD). These study areas were deemed suitable for this study as they are composed of entrepreneurs from varied ethnic groups, diverse religious affiliations, and different social classes. Moreover, a majority of the businesses in this area are micro, small and medium enterprises which experience numerous challenges in their growth path. Moreover, very little is known about the impact of cultural factors on entrepreneurial activity within these areas, the gap this study endeavors to fill.

### **3.4 Sampling frame and sampling technique**

This study employed simple probability sampling technique. Here, every element of study had an equal chance of being selected (Cooper & Schindler 2010). According to Mugenda & Mugenda, (2003) the justification of simple random sampling is that it offers the assurance that the population will be evenly sampled. In this study, respondents from the two markets were divided into strata based on ethnic grouping, religion, and social classes. At least two representatives were selected from each stratum. This ensured more representation hence improved the reliability of the study.

### **3.5 Data Collection**

The study used both qualitative and quantitative data. Data on perceptions, attitudes and beliefs of entrepreneurs were gathered as well as quantitative data like business income, age and investment among others. The researcher collected primary data with the help of a self-administered structured questionnaire. According to Cooper and Schindler (2010), a questionnaire is easy to administer. Questionnaires also reduce bias since the researchers' own opinions would not influence the respondents to answer questions in a certain manner unlike a face to face interview. A Likert scale was widely used in the questions guided by a review of the available literature (Bird, 1989; Kantis et al, 2002, Lumpkin & Dess 1986). Due to a large number of respondents involved, researcher assistants were used to enable the researcher to meet the project constraints involved.

### **3.6 Data analysis**

Since the study used both qualitative and quantitative data collection methods, both qualitative and quantitative data analysis techniques were used. The aim of the analysis was to understand how constructs about ethnic affiliation, religion, and social class affect the growth of businesses.

Statistical software was used to show the extent to which the independent variables (X1- Ethnicity, X2- Religion, X3- Social class) influence changes in the dependent variable (Y-entrepreneurial culture). Descriptive analysis was used to analyze qualitative data as well as regression analysis to explain how the variables are related.

The following model was used;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where: **Y** = Entrepreneurial culture (EC);

**X<sub>1</sub>** = Ethnic Background (EB);

**X<sub>2</sub>** = Religion (R); and

**X<sub>3</sub>** = Social Class (SC)

**B<sub>0</sub>, β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>** = Regression model coefficients.

**ε** = Error Term.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND DISCUSSIONS**

#### **4.1 Introduction**

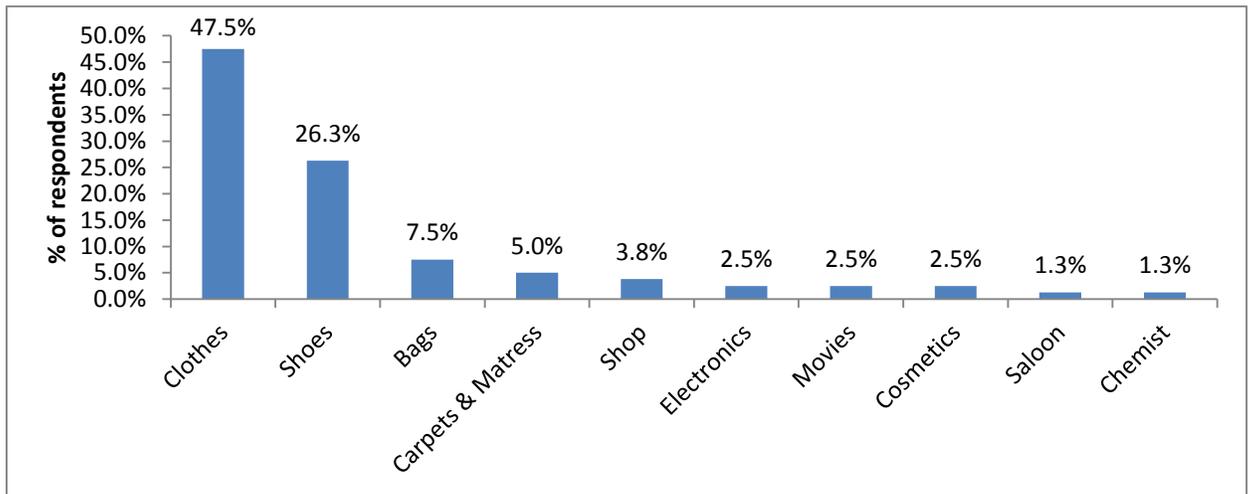
This chapter shows the data analysis and discusses its findings. The research design used in this study follows a descriptive design with quantitative techniques. The data relevant for analysis is primary data and its analysis goes on to answer the research questions posed in relation to the research objectives. The analysis shows how ethnic, social status and religious affiliations impact on the entrepreneurial acumen of the subjects of the study. Data was analyzed at four main levels including the demographics of the population, the social status of the subjects, the religious and ethnic backgrounds. This section analyzes the data and details how the results of the analysis will have an effect on the achievement of the research objectives.

#### **4.2 Demographic information**

##### **4.2.1 Type of Business**

Data collected illustrated that a majority of the respondents were involved in reselling of clothing, shoes and bags. According to them, it only required a little capital to start these types of businesses. A number of the respondents as well engaged in carpets and mattresses, retail shops, electronic, movie shops and cosmetics among others as shown in the Figure below.

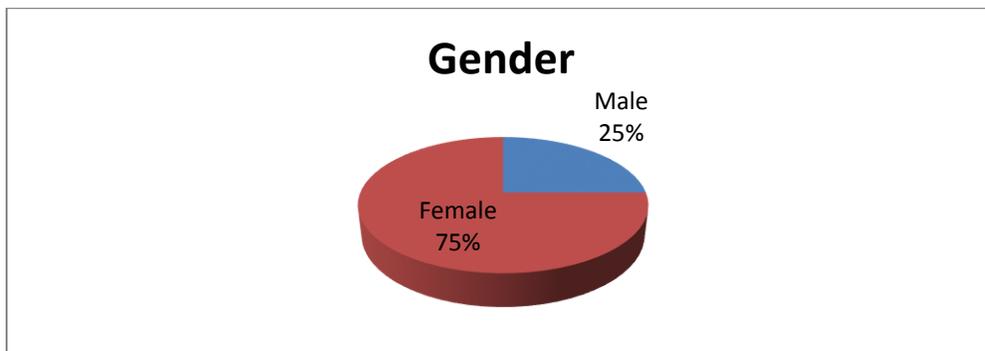
**Figure 2 Type of business**



#### 4.2.2 Gender

The study aimed to target to have a balance of gender of the respondents. However, data reveal that besides more females being willing to participate in the study, they also owned more businesses than their male counterparts. While 75% were female, only 25% of men were able to participate in the study. This empirically showed an improvement in women entrepreneurship.

**Figure 3 Gender**

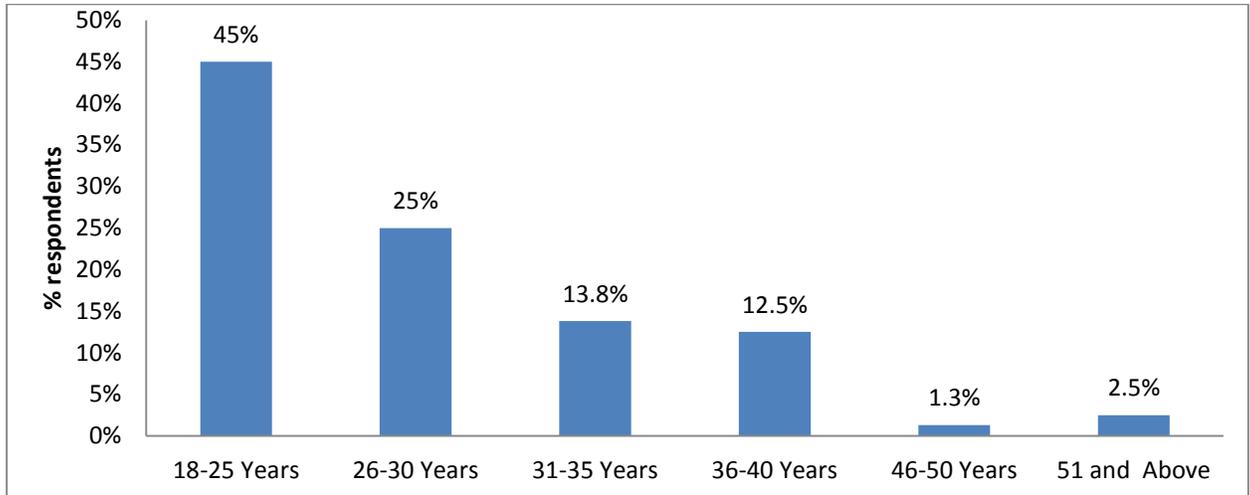


#### 4.2.3 Age bracket of respondents

The results of the study revealed that there was a significant participation of youths in entrepreneurship. 84% of the respondents were below the age of 35years which

demonstrated that the markets were youth dominated. Only 2.5% of the respondents were aged more than 55years.

**Figure 4 Age bracket**



#### 4.2.4 Age of the business

A larger percentage (45%) of the businesses was less than five years old. This indicated that they were still in their development stages. However, about 40% were between 5 and 10 years while only 15% were over 10 years.

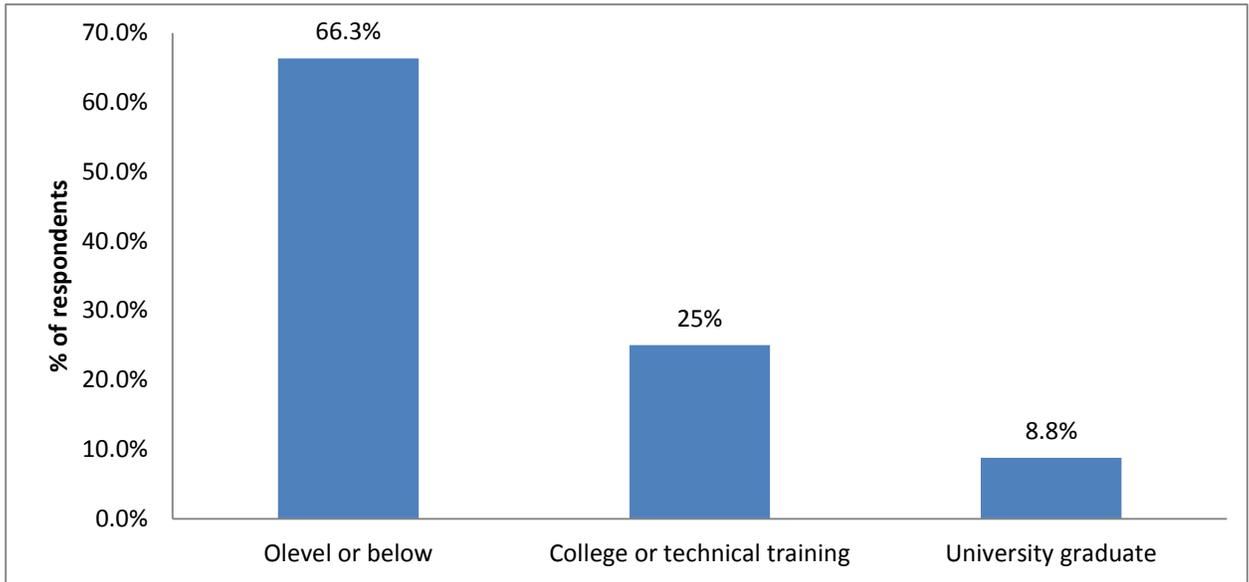
**Table 1 Age of the business**

|                   | Frequency | Percentage |
|-------------------|-----------|------------|
| Less than 5 Years | 36        | 45%        |
| 5-10 Years        | 32        | 40%        |
| Over ten Years    | 12        | 15%        |

#### 4.2.5 Education level

Majority (66.3%) of the respondents had only achieved O-level or secondary education. As such, they lacked the technical skills necessary to do more specialized businesses. A considerable percentage of 25% had achieved college or technical training while only 8.8% had university education.

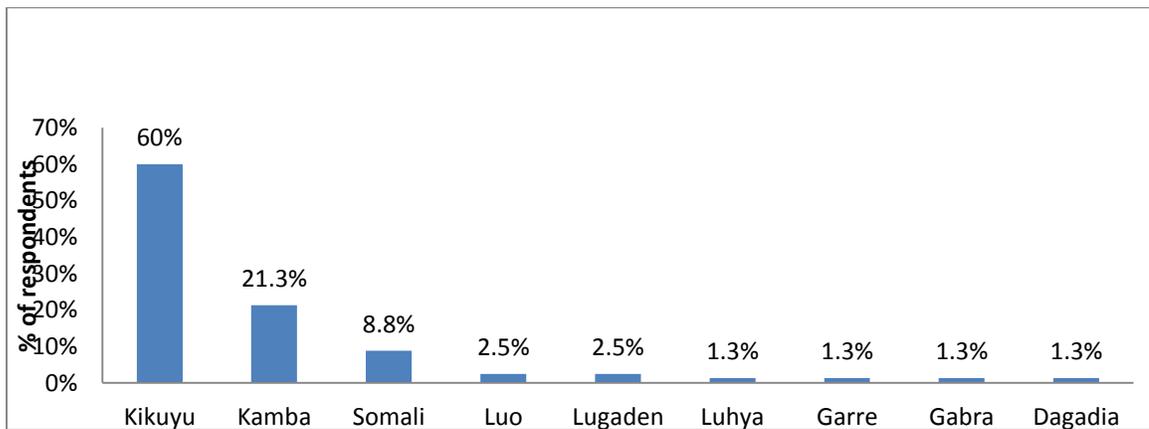
**Figure 5 Education level of respondents**



**4.2.6 Ethnic Affiliation**

Data collected from Muthurwa and Eastleigh markets revealed that 60% of the businesses were owned by Kikuyus. However, in Eastleigh market, majority of the businesses were owned by people of Somali and Somali clans who comprised more than 15% of the overall population. Kambas also demonstrated a considerable involvement in business at 21.3% in this informal sector.

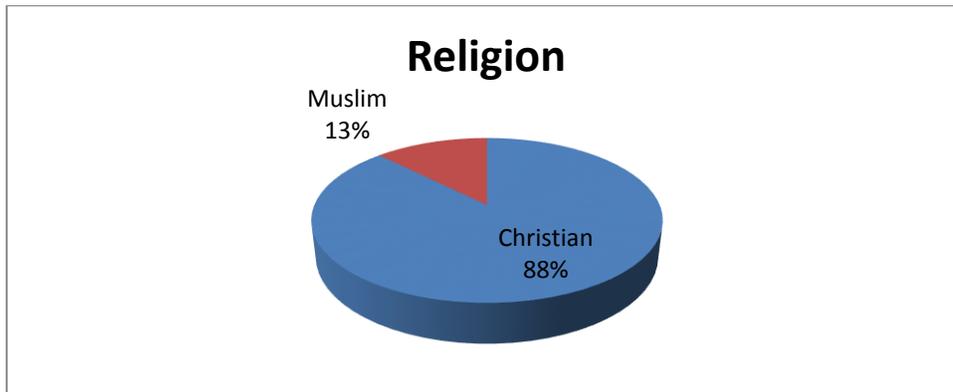
**Figure 6 Ethnic affiliation**



#### 4.2.7 Religious background

Data collected showed that two religious groups traded in the markets studied (Christian 87.5% and Muslims 12.5%). There were no respondent from other religious like Hindu. However, data revealed the Muthurwa market was dominated by Christians while Eastleigh market was dominated by Muslims. Protestants and Muslims acknowledged that their religious beliefs and backgrounds made them the entrepreneurs they are today.

**Figure 7 Religion**



#### 4.2.8 Family Business and Social status

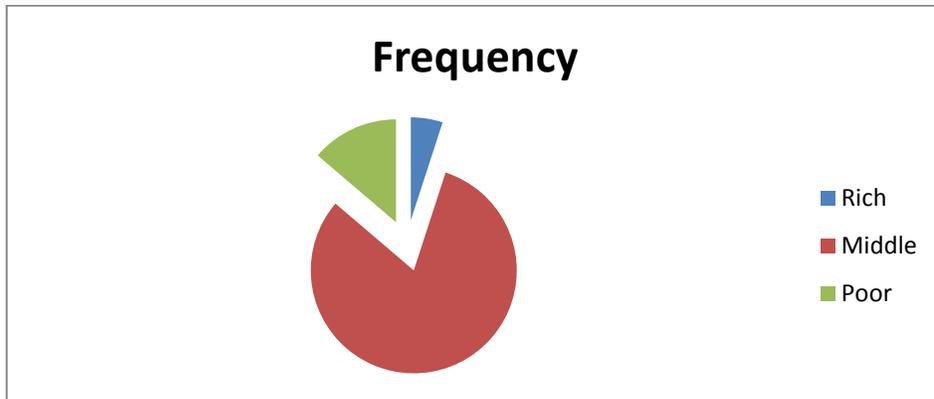
33.8% of the respondents came from families that have never been involved in business before. 28.8% of the study subjects come from single enterprise families while 37.5% of respondents came from families that owned more than one business as shown below. Those from families with business backgrounds were more successful in their current business endeavors.

**Table 2 Number of family owned business**

|               | Frequency | Percentage |
|---------------|-----------|------------|
| One           | 23        | 28.8%      |
| More than one | 30        | 37.5%      |
| None          | 27        | 33.8%      |

Moreover, in terms of family financial background, 13.8% reported to come from poor families while a larger percentage of 81.3% rated their families as middle class while only 5% were from well-off families. Evidently, Majority of the entrepreneurs came from the middle class as illustrated below.

**Figure 8 Family social class**

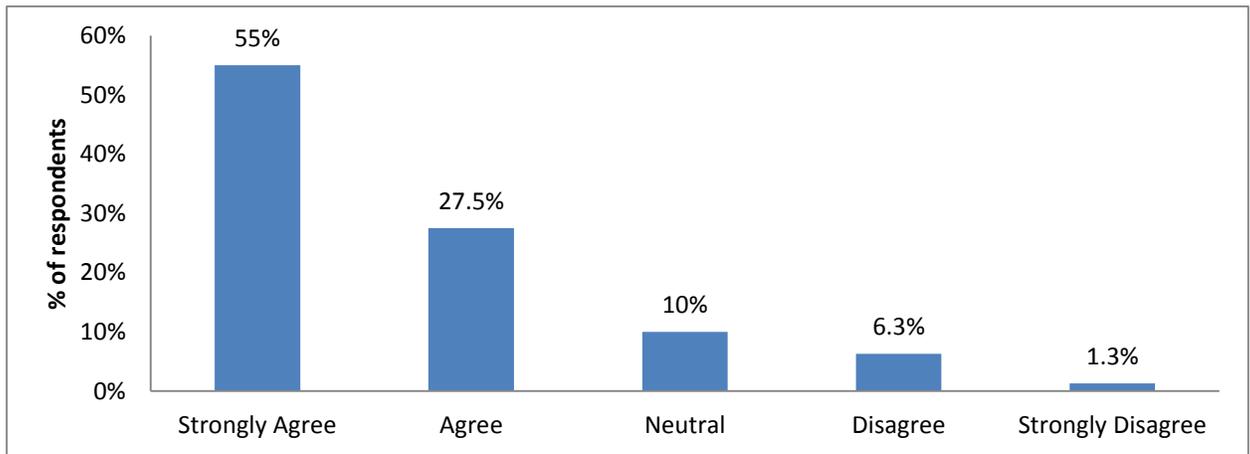


#### **4.3 Business motivations**

##### **4.3.1 Family Background**

Majority of the respondents (55%) strongly agree that family background shaped entrepreneurial behaviors. A considerable 27.5% of the population also agreed to the latter. Only 7.6% of the respondents disagreed with this statement as shown below.

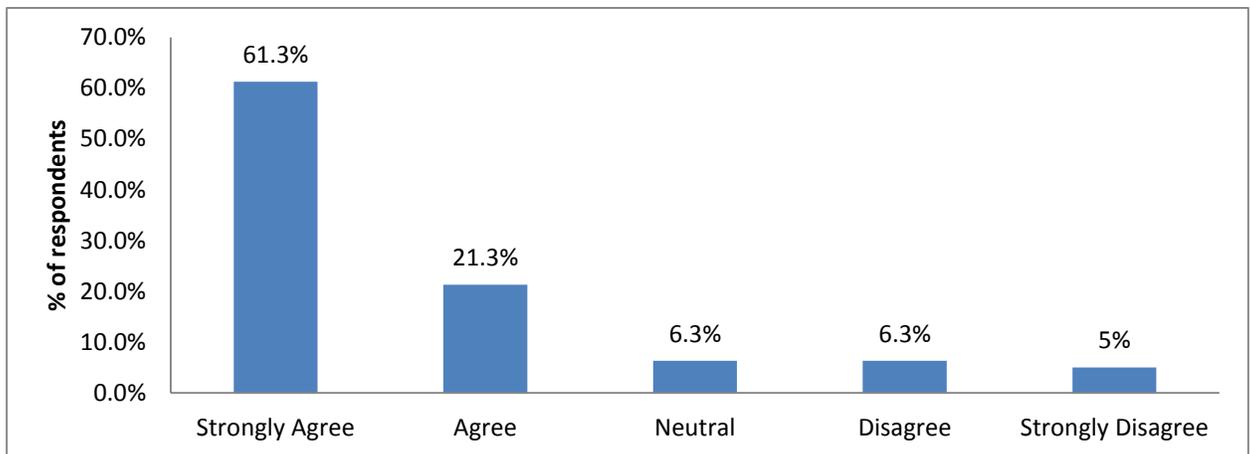
**Figure 9 Family Motivation**



**4.3.2 Availability of Finances**

Majority of the respondents (82.6%) said that finances were key for business success. Were it not for the availability of capital, it would be almost impossible for them to venture in business. Only 11.3% of the respondents said that capital was not a key motivation.

**Figure 10 Availability of finances**



**4.3.3 To achieve a higher social status**

A greater percentage of the respondents (92.6%) agreed that desired social status

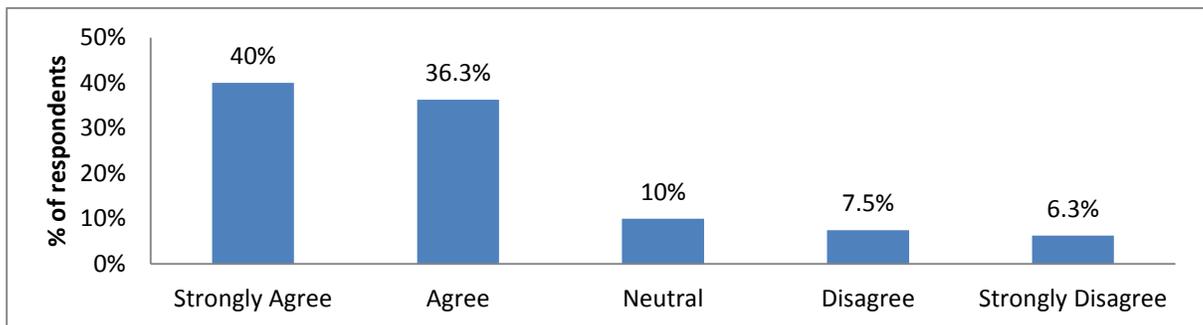
motivated them to do business. Only 7.6% of the subjects of study disagreed with the statement

**Table 3 Desire for high social status**

|                   | Frequency | Percent |
|-------------------|-----------|---------|
| Strongly Agree    | 67        | 83.8%   |
| Agree             | 7         | 8.8%    |
| Disagree          | 5         | 6.3%    |
| Strongly Disagree | 1         | 1.3%    |

Moreover, 76.3% of the respondents were motivated by the desire to be like other successful people within their religion and community.

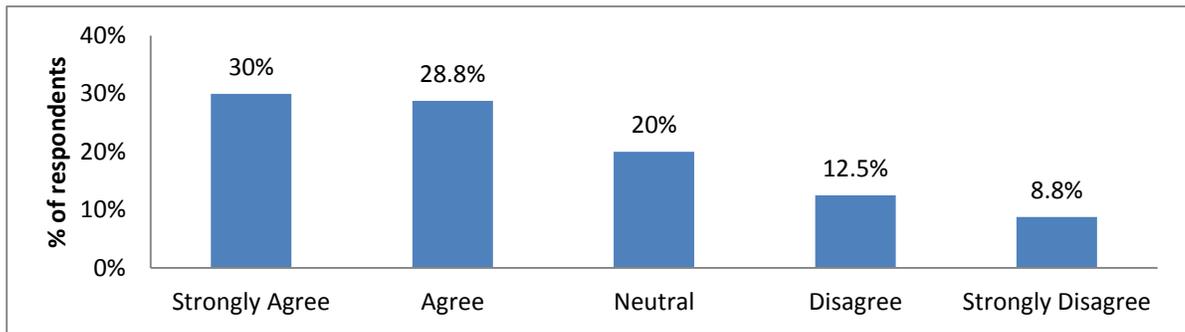
**Figure 11 Desire for financial freedom**



#### 4.3.4 Ethnic Background

58.8% of the respondents believe that their ethnic background influence their entrepreneurial desires. However, 20% of the respondents neither agreed nor disagreed with the statement. Only 21.3% of the respondents argued that tribe did not influence entrepreneurship. As such, Ethnic background is an important factor influencing business motivation.

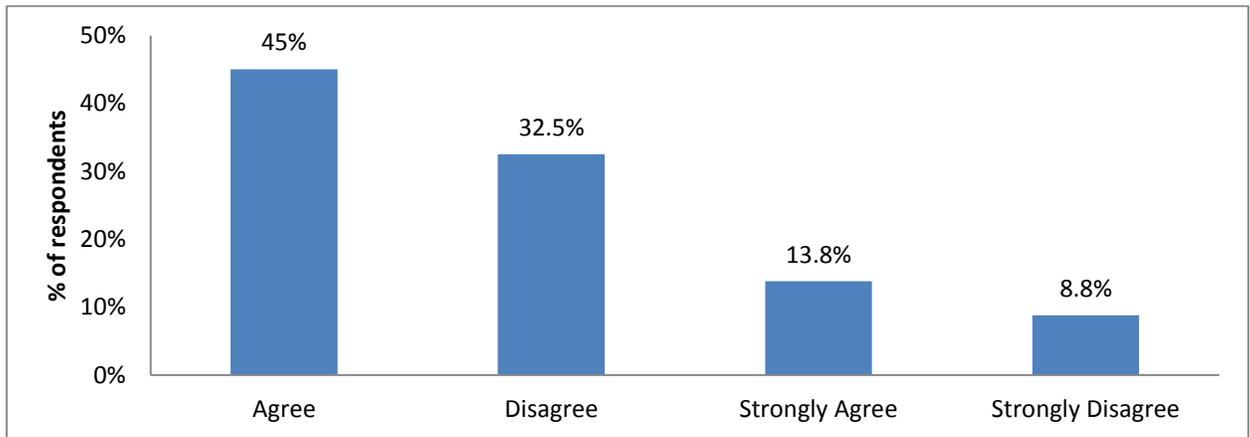
**Figure 12 Ethnic support**



#### **4.4 Family background**

58.8% of the respondents agreed that family support was critical for business success while a minority of 41.2% disagreed. As such family support has some impact on business development.

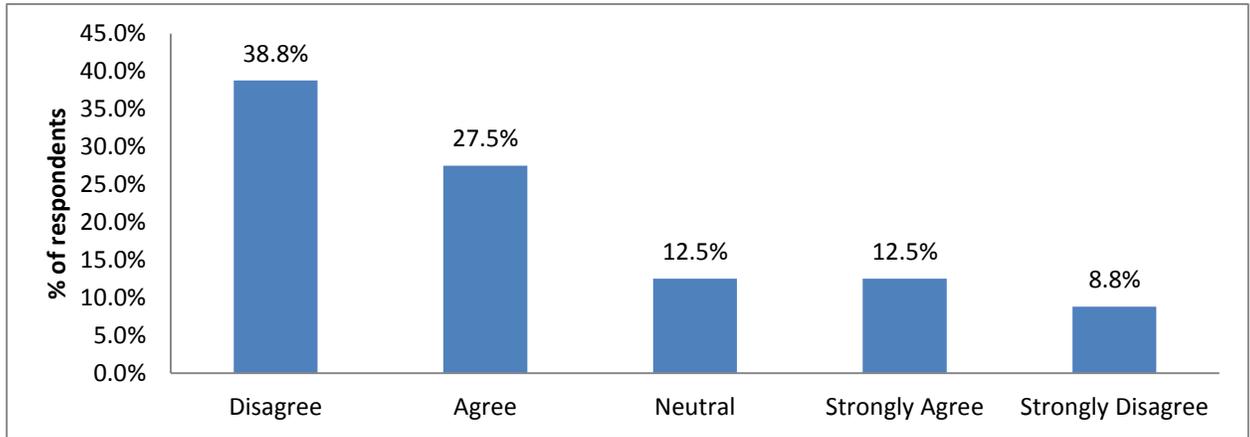
**Figure 13 Family support**



#### **4.4.1 Family business culture**

49.6% of the respondents disagreed that family culture influenced business performance. However, 40% associated business success to family business culture. 12.5% were not sure about this relationship.

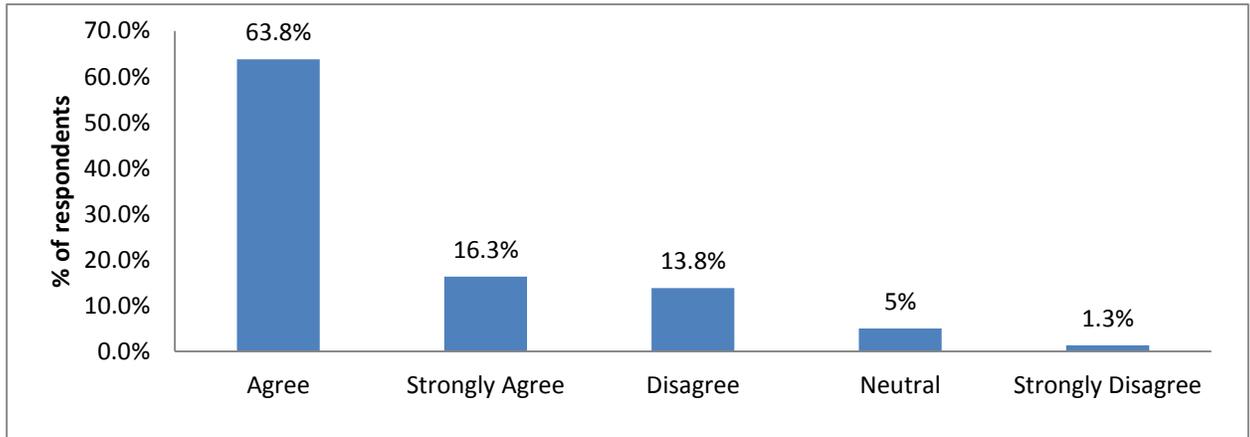
**Figure 14 Family culture and business performance**



**4.4.2 Individual attitude, values and beliefs**

70.1% agreed that business success would depend mainly on the individual’s character which is determined at the family setting.

**Figure 15 Individual initiative**



**4.4.3 Family and community bond**

63.85% agreed that the bond in the family gives them the security and confidence to do business. 25.1% said that family ties do not have a positive impact on business performance.

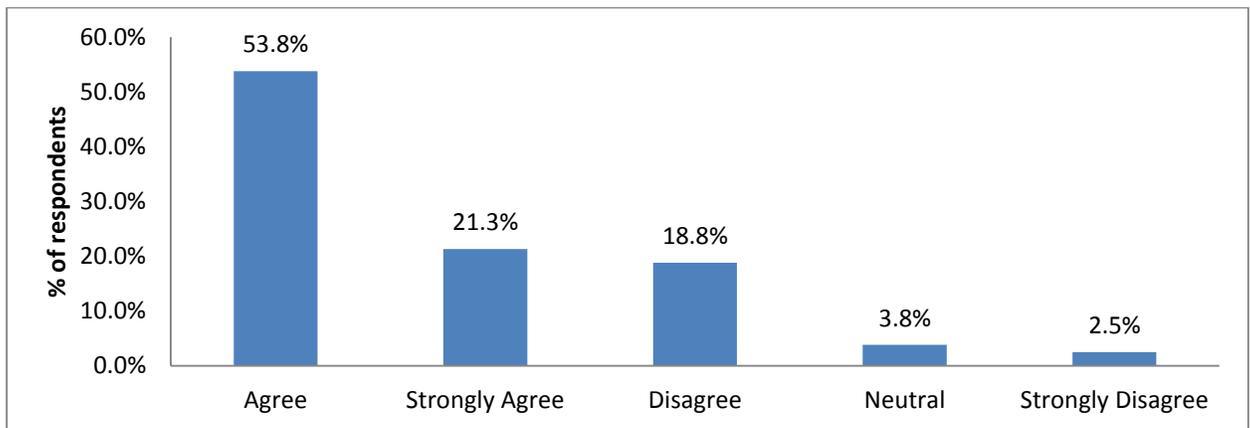
**Table 4 Family and community bond**

|                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly Agree    | 14        | 17.5    | 17.5          | 17.5               |
| Agree             | 37        | 46.3    | 46.3          | 63.8               |
| Neutral           | 9         | 11.3    | 11.3          | 75                 |
| Disagree          | 19        | 23.8    | 23.8          | 98.8               |
| Strongly Disagree | 1         | 1.3     | 1.3           | 100                |
| Total             | 80        | 100     | 100           |                    |

**4.5 Community support**

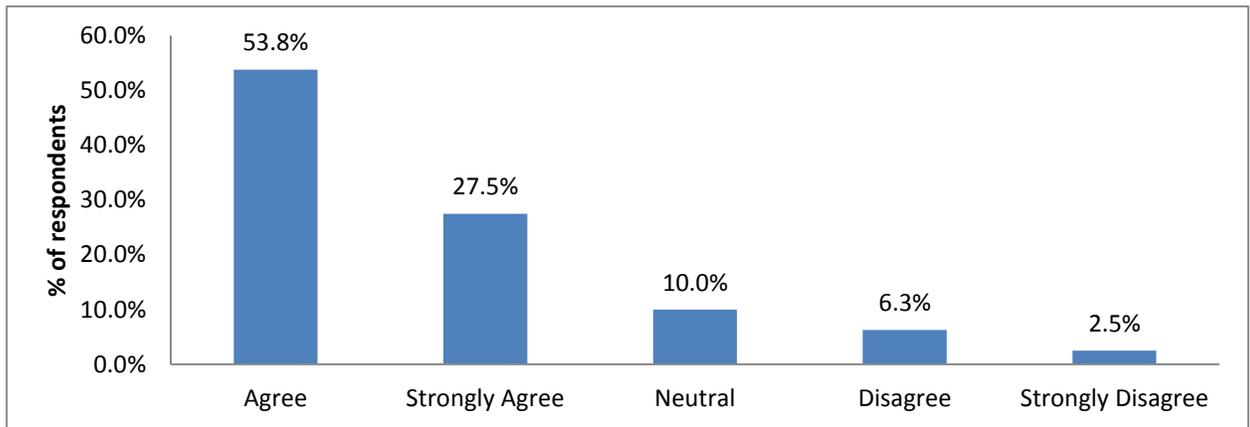
75% agreed that business exists through communities. They appreciated the support from the community perhaps in terms of labour and markets. Only 17% did not agree.

**Figure 16 Community support**



Moreover, 80.3% agreed that successful business people in their communities were seen as warriors and achievers, a status they would like to achieve. Only 8.8% were not in agreement with this statement.

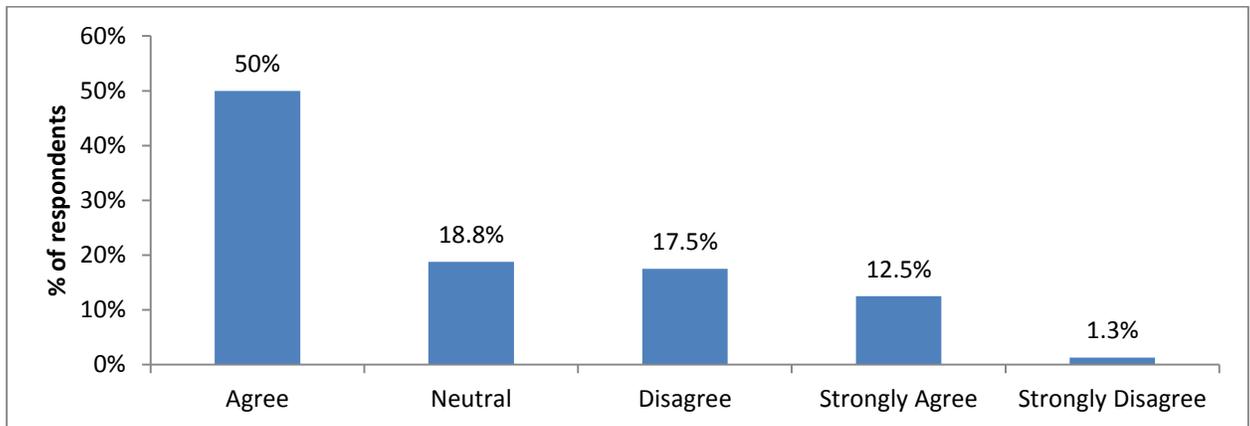
**Figure 17 Perceptions about successful entrepreneurs**



#### **4.5.1 Community youth entrepreneurship**

62.5% indicated that youth entrepreneurship was encouraged in their communities while 13.8% disagreed. 18.8% were not aware of any entrepreneurship programmes in their communities.

**Figure 18 Community youth entrepreneurship**



#### **4.5.2 Community perception on risk taking and business orientation**

There were 60.1% of the respondents indicating that risk takers and people with convictions in business were supported by their communities. However 18.8% said that no support was given to entrepreneurs by the community.

**Table 5 Community perception on risk taking and business orientation**

|                | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> | <b>Cumulative Percent</b> |
|----------------|------------------|----------------|----------------------|---------------------------|
| Strongly Agree | 11               | 13.8           | 13.8                 | 13.8                      |
| Agree          | 37               | 46.3           | 46.3                 | 60                        |
| Neutral        | 17               | 21.3           | 21.3                 | 81.3                      |
| Disagree       | 15               | 18.8           | 18.8                 | 100                       |
| Total          | 80               | 100            | 100                  |                           |

#### **4.5.3 Community attitude towards business**

36.35% said that their communities view business as easy hence more successful. 46.3% said viewing business as easy would not make it successful.

**Table 6 Community attitude towards business**

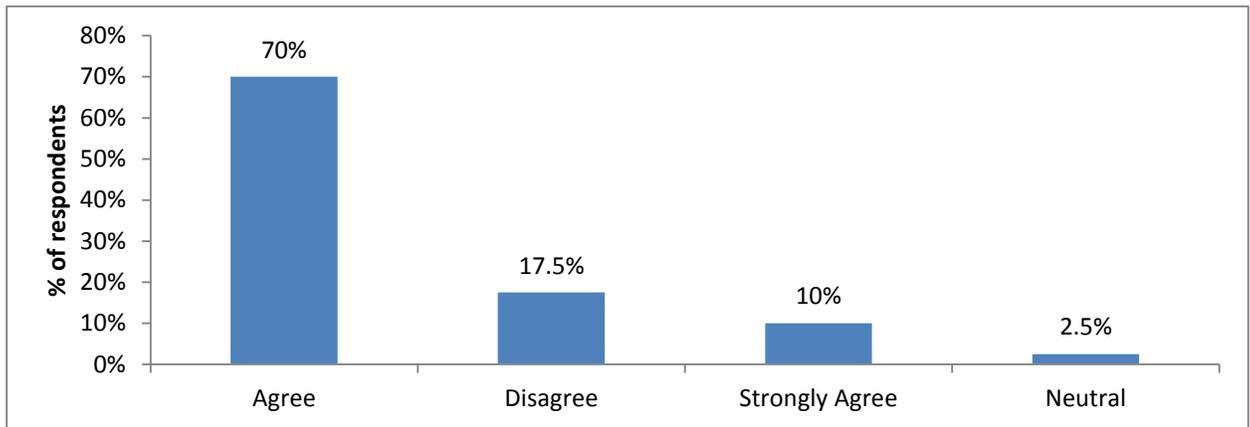
|                   | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> | <b>Cumulative Percent</b> |
|-------------------|------------------|----------------|----------------------|---------------------------|
| Strongly Agree    | 7                | 8.8            | 8.8                  | 8.8                       |
| Agree             | 22               | 27.5           | 27.5                 | 36.3                      |
| Neutral           | 14               | 17.5           | 17.5                 | 53.8                      |
| Disagree          | 26               | 32.5           | 32.5                 | 86.3                      |
| Strongly Disagree | 11               | 13.8           | 13.8                 | 100                       |
| Total             | 80               | 100            | 100                  |                           |

#### **4.6 Religious influence**

##### **4.6.1 Religion acknowledges business success**

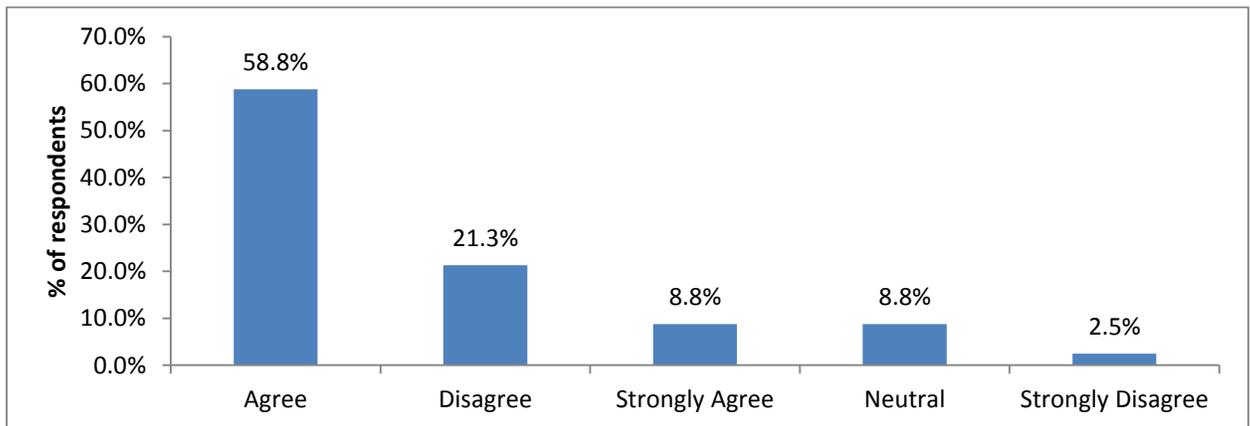
80% of the respondents agreed that their religion encouraged them to do business and to be more resilient even in hard times.

**Figure 19 Religion Perception on business**



Moreover, 67.5% agreed that their religions recognize successful business person as achievers and warriors and this motivates other people to be entrepreneurial. Only 23.8% said that their religions did not recognize business men as achievers.

**Figure 20 Recognition of business success on religion**



#### **4.6.2 Religion and Youth Entrepreneurship**

67.5% of the respondents agree that their religion had programmes that promote youth business. Their religion recognized the importance of supporting the youth in their entrepreneurship projects. 20.1% declined this statement.

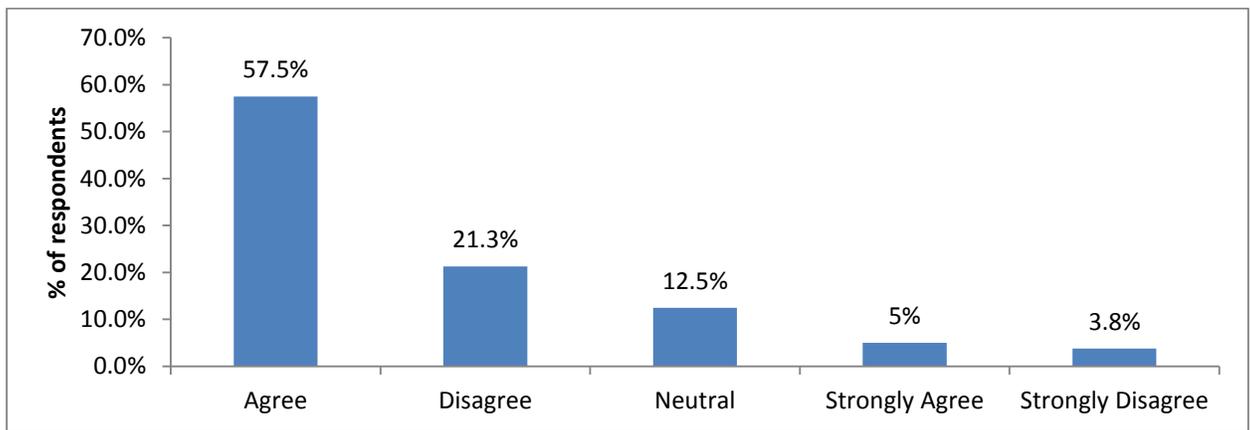
**Table 7 Religion and youth entrepreneurship**

|                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly Agree    | 4         | 5       | 5             | 5                  |
| Agree             | 50        | 62.5    | 62.5          | 67.5               |
| Neutral           | 10        | 12.5    | 12.5          | 80                 |
| Disagree          | 15        | 18.8    | 18.8          | 98.8               |
| Strongly Disagree | 1         | 1.3     | 1.3           | 100                |
| Total             | 80        | 100     | 100           |                    |

**4.6.3 Risk taking and business motivation**

62.5% of the respondents agreed that their religions encouraged risk taking behavior and also encouraged people to be optimistic in their business. However, 25.1% said that religion had no role in businesses motivation and discouraged curiosity and aggression.

**Figure 21 Risk taking and business motivation**



**4.6.4 Business perceptions**

48.8% said that their religion viewed business as easy and doable implying a positive attitude towards business. However, 32.6% said that business in their religion was viewed as challenging and full of uncertainty.

**Table 8 Business perceptions**

|                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|-----------|---------|---------------|--------------------|
| Strongly Agree    | 8         | 10      | 10            | 10                 |
| Agree             | 31        | 38.8    | 38.8          | 48.8               |
| Neutral           | 15        | 18.8    | 18.8          | 67.5               |
| Disagree          | 21        | 26.3    | 26.3          | 93.8               |
| Strongly Disagree | 5         | 6.3     | 6.3           | 100                |
| Total             | 80        | 100     | 100           |                    |

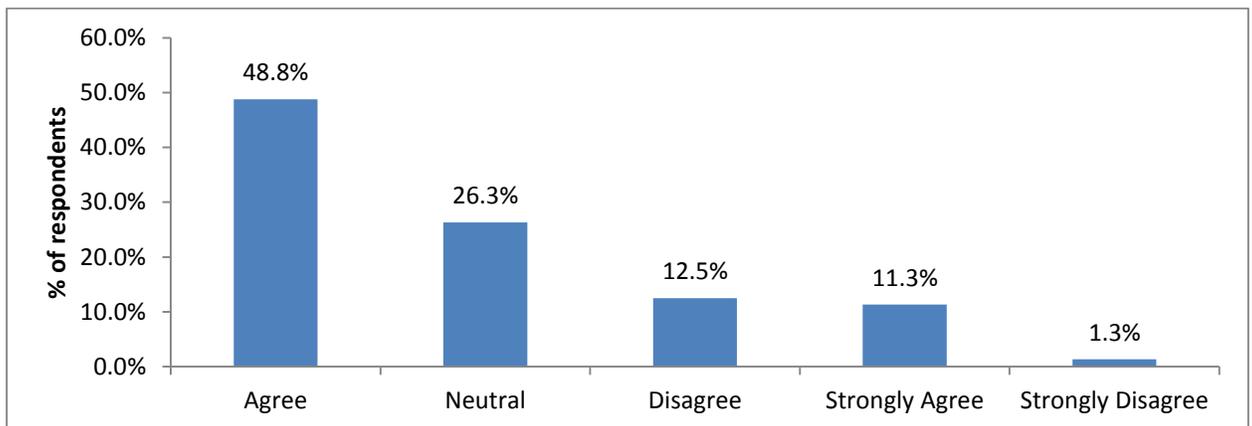
**4.7 Business Performance**

**4.7.1 Profitability**

60% of the respondents agreed that business profits were impressive and satisfactory. They preferred business to employment. However, 13.8% disagreed with the statement saying that profits had not materialized. More than 26% said that they were yet to be satisfied with profits although they hoped for improved profits.

**Figure 4.20: Business Profitability**

**Figure 22 Business profitability**

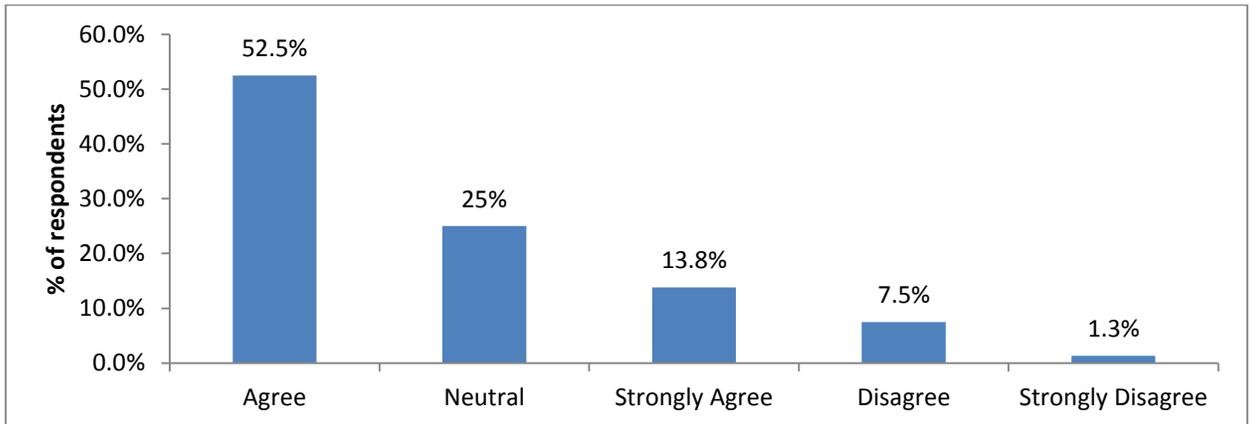


**4.7.2 Return on investment**

66.3% of the respondents agreed that their businesses had paid on the investments. Only

8.8% of the respondents said that their business had not paid back. 25% said that they were operating at a breakeven point.

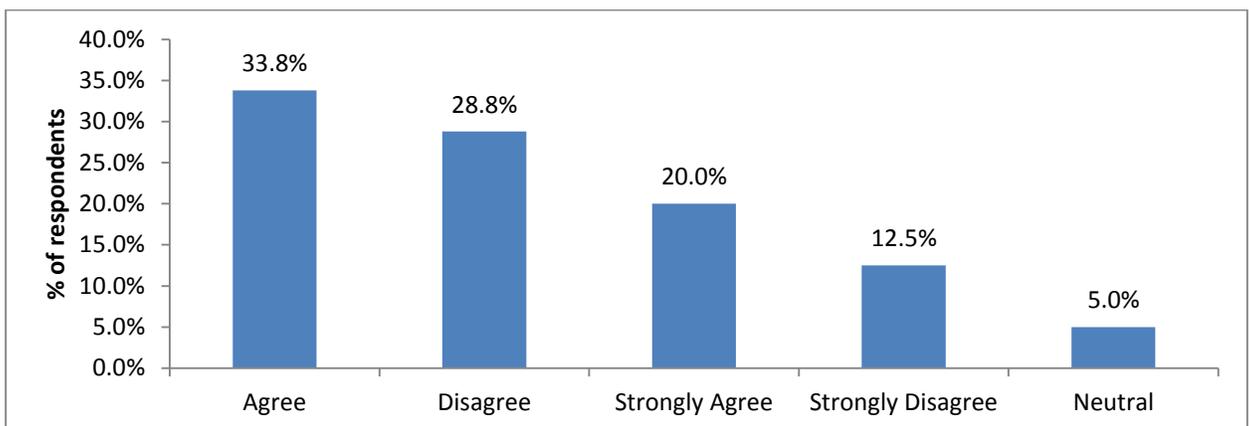
**Figure 23 Business return on investment**



#### 4.7.3 Venture growth

53.8% agreed that their businesses had growth in terms of employees and customers among other stakeholders. 31.3% had not seen significant growth in business network while 5% were indifferent.

**Figure 24 Venture growth**



Moreover, 35% claimed to have achieved business growth through expansion or opening of new branches or work stations in different locations. A majority 55.1% did not have

any sort of expansions in the life of their business.

**Table 9 Business Expansion**

|                   | <b>Frequency</b> | <b>Percent</b> | <b>Valid Percent</b> | <b>Cumulative Percent</b> |
|-------------------|------------------|----------------|----------------------|---------------------------|
| Strongly Agree    | 14               | 17.5           | 17.5                 | 17.5                      |
| Agree             | 14               | 17.5           | 17.5                 | 35                        |
| Neutral           | 8                | 10             | 10                   | 45                        |
| Disagree          | 35               | 43.8           | 43.8                 | 88.8                      |
| Strongly Disagree | 9                | 11.3           | 11.3                 | 100                       |
| Total             | 80               | 100            | 100                  |                           |

#### **4.8 Regression Analysis**

This study had an objective of establishing the effect of ethnicity, religion and social structures on entrepreneurial culture in amongst SMEs in Nairobi. Regression analysis was conducted to establish the effect of ethnicity, religion and social structures on entrepreneurial culture amongst SMEs in Nairobi County and SPSS was used to analyze the data. Coefficient of determination,  $R^2$  was used as a statistical measure to predict how well the data fit the model.  $R^2$  was used to explain the degree to which dependent variable change, adjusted  $R^2$  was used to measure unbiased estimate of the population. To establish the relationship between variables, simple regression was applied as shown in table 10

**Table 10: Model Summary**

| Model | R                  | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |     |     |               |
|-------|--------------------|----------|-------------------|----------------------------|-------------------|-----|-----|---------------|
|       |                    |          |                   |                            | R Square Change   | df1 | df2 | Sig. F Change |
| 1     | 1.000 <sup>a</sup> | 0.611    | 1.000             | .000000                    | 1.000             | 3   | 76  | .000          |

**Source: Research findings**

From the findings in the table above, R was 0.793; this means that there was a positive relationship between the dependent variable and the independent variable of the study. R<sup>2</sup> was found to be 0.611 which means 61.1% of variation of entrepreneurial culture can be explained by ethnicity, religion and social structures while the remaining 38.9% could be explained by other variables not under this study.

**Table 11: ANOVA****ANOVA<sup>a</sup>**

| Model |            | Sum of Squares | df | Mean Square | F    | Sig. |
|-------|------------|----------------|----|-------------|------|------|
| 1     | Regression | 66.528         | 3  | 22.176      | 1.59 | 0.01 |
|       | Residual   | 512.000        | 76 | .000        |      |      |
|       | Total      | 66.528         | 79 |             |      |      |

**Source: Research findings**

From the analysis of variance above, the sum of square for regression was 66.528; the f statistics value was 1.59 and the degrees of freedom of 3 tested at 95% confidence level and 0.25 significance level was 0.01. The model employed to determine the role of ethnicity, religion and social structures on entrepreneurial culture was therefore

statistically significant as the significance was 0.01 and therefore was below the significance level of 0.25 two –tailed.

ANOVA was used in the study to establish the significance of the relationship between entrepreneurial culture among SMEs in Nairobi and the independent variables. Since the significance is 0.000 which is less than 0.05, therefore the regression model is statistically significant at 5% level.

**Table 12: Model coefficients**

**Coefficients<sup>a</sup>**

| Model        | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. |
|--------------|-----------------------------|------------|---------------------------|--------|------|
|              | B                           | Std. Error | Beta                      |        |      |
| 1 (Constant) | 62.916                      | 1.709      |                           | 36.813 | .000 |
| Ethnicity    | .342                        | .075       | .239                      | 4.553  | .000 |
| Religion     | .602                        | .154       | .215                      | 3.920  | .000 |
| Social class | 30.372                      | 2.559      | .670                      | 11.870 | .000 |

a. Dependent Variable: Entrepreneurial culture

**Source: Research Findings**

The regression analysis results indicate that the relationship between the selected independent variables and entrepreneurial culture can be expressed using the following regression equation:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon$

This Becomes;  $Y = 62.916 + 0.342X_1 + 0.602X_2 + 30.372X_3 + \epsilon$

From the regression equation above, it was determined that having ethnicity, religion and

social structures as a constant zero, entrepreneurial culture would stand at 62.916.

#### **4.9 Discussion of Findings**

From the analysis in Table 10 we observe that R square has a value of 0.611. This leads to the conclusion that ethnicity, religion and social structures explain 61.1 percent of the variance on entrepreneurial culture amongst SMEs in Nairobi County. The relationship between the three selected independent variables and entrepreneurial culture is found to be significant at 0.01. This implies that we can state with a 99% certainty level that the ethnicity, religion and social structures have an effect on entrepreneurial culture as 0.01 is well within the required 0.05 level of significance. Table 12 shows the coefficients and reveals that the constant value was 62.916 and the standard error was 1.709. Ethnicity had a regression coefficient of 0.342 whereas religion had a positive coefficient of 0.602. Social structures had a coefficient of 30.372 which is significantly higher than the rest. All the three variables were found to be statistically significant at a significance level of 0.000.

The study found that ethnicity, religion and social structures had a positive effect on entrepreneurial culture amongst target respondents. Data analyzed at four main levels including the demographics of the population, the social status of the subjects, the religious and ethnic backgrounds shows that these factors significantly impact on the entrepreneurial desires of individuals. For instance 60% of the respondents were kikuyu which means that Ethnic background shaped entrepreneurial desires. Similarly, more than 83% of the respondents were youths which show that social stratification was a significant determinant of business motivation. Similarly, more than 81% of businesses were owned by the middle class. Communities also played a key role in producing and supporting entrepreneurs. These findings were consistent with those of Shapero and Sokol (1982) who identified family, culture, peers, mentors, previous work experience and colleagues as factors that strongly influence personal values and the individual's perceptions.

Moreover, families with some sense of religious background, ethnic support and desire to achieve a higher social status seemed to perform better than those without any form of cultural affiliation. Evidently, these individual were highly risk takers. They were represented by more than 60% who had achieved either impressive or satisfactory profitability, high return on investment and business growth. Evidently, entrepreneurship was found to be a key driver of economic growth (Audretsch and Keilbach 2004; Wennekers 2006). Consistent with Shapero and Sokol (1982) who identified life path changes as significant triggers of entrepreneurial desires, this study found that most of the respondents turned into business after major changes in their lives including unemployment, change of social status or even insecurity in their previous areas of residence.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter deals with the summary of findings, conclusion, recommendations and limitation of the study. Development of new business through entrepreneurship directly impact on society's economic growth and prosperity. Although much has been done on the psychological and economic approaches to entrepreneurship, how social structure, religious beliefs and ethnicity influence entrepreneurial culture development among SMEs in Kenya has not been addressed. Therefore, this paper seeks to aggregate all factors drawn from theory, socio-cultural influences and entrepreneurial activities. In this sense, the article forms a framework for the development of further research in the analysis of the socio-cultural factors influencing the decisions involved in the creation of a new business.

#### **5.2 Summary of Findings**

According to Eisenstadt (1968) religion alters individual responsibility and behaviors which overtime leads to redefinition and reformulations of the surrounding. Eisenstadt (1968) therefore concludes that religions with high transformative potential are capable of altering entrepreneurial behaviors. The findings showed that two religious groups traded in the markets studied (Christian 87.5% and Muslims 12.5%). There were no respondent from other religions like Hindu. The data collected revealed that Muthurwa market was dominated by Christians while Eastleigh market was dominated by Muslims. Christians and Muslims acknowledged that their religious beliefs and backgrounds made them the entrepreneurs they are today. Other studies also show that religion has an influence on the entrepreneurial participation rate (Selinger, 2004; Aldrich & Zimmer, 1986; Morrison, 2000), but they do not investigate other differences among religions.

However, other arguments show that religion is a limiting factor on the ability of an individual to think freely and also acts as a restriction on the scope of their inquiry.

Goody (2003) states that absence of religion with the various restrictions that religion implies was in part responsible for enormous expansion of intellectual horizons in Greek thought. Similar thought was presented by Lewis (2002), who argued that religious beliefs are a personal matter and should be separated from other human activities such as economic activities.

The research findings revealed that 60% of the businesses were owned predominantly by business people from the Kikuyu community. However, in Eastleigh market, majority of the businesses were owned by people of Somali and Somali clans who comprised more than 15% of the overall population. Kamba ethnic group also demonstrated a considerable involvement in business at 21.3% in this informal sector. Therefore, the ethnicity is a determinant of entrepreneurial culture. This is in line with Shapero (1985) who came with evidence championing the idea that some ethnic groups are likely to be more intertwined than others on participation either in or not in entrepreneurial activities. He, however, stresses that not all ethnic or racial groups have a higher propensity to become self-employed (Shapero, 1985).

The study shows that about 75% of the businesses in the informal sector were run by the middle class, 15% by the poor and the rich takes roughly 10% indicating that social class is a key determinant of development of entrepreneurial culture. The analyses revealed primarily that social structural factors can influence both positively and negatively entrepreneurial emergence in a society. These findings are in line with Weber theoretical foundation which argues that class, status, and power influence entrepreneurial behavior. According to the result of his studies, individuals from the same social class exhibit the same characteristics while those from different classes behaved differently (Aldrich, et al. 2001). Walton-Roberts and Hiebert (1997), while referring to the role of social class in business continuation amongst Indo-Canadian entrepreneurs also argued that the extended social class networks are central tenets on the establishment and sustainability of business.

The references in the analysis confirm opinions in the theories of entrepreneurial emergence which are rooted in the theory of social behavior which explains that socio-cultural values and circumstances of a people would influence their behavior and decisions as a people and as individuals both in terms of their social and economic lives and their decisions on entrepreneurship. Even though an individual has a unique personality he is a product of the society in which he comes from and thereby is a subject of his society's values and influences. In other words the socio-cultural environment is significant in shaping individual values affecting his actions and decisions.

### **5.3 Conclusion**

The study findings reveals that religion, ethnicity and social class influence the development of entrepreneurial culture hence need to be taken into account as far as entrepreneurial culture is concerned. The findings of this study are relevant to students seeking further research areas, managers and policy makers. Its results show that managers wishing to locate their enterprises should seek to establish them in locations with medium levels of diversity. It also suggests that government agencies should take into consideration ethnic factors, religions and social structures in the establishment of conducive environments for businesses in order to create a balance in economic development.

This study concludes that independent variables selected for this study ethnicity, religion and social structures influence to a large extent entrepreneurial culture among SMEs in Nairobi. It is therefore sufficient to conclude that these variables significantly influence the entrepreneurial culture in Nairobi. The fact that the three independent variables explain 61.1% of changes in exchange rates implies that the variables not included in the model only explain 38.9% of changes in entrepreneurial culture.

The findings of this study were consistent with those of Shapero and Sokol (1982) who identified family, culture, peers, mentors, previous work experience and colleagues as factors that strongly influence personal values and the individual's perceptions. The study found that religion influences entrepreneurial culture and this is in line with Singer

(1966) who found that the Hindu religion has an influence on the choice of becoming an entrepreneur in India. According to his research which involved all the main religions in South Asia i.e. Christianity, Buddhism, Jainism, Hinduism, Islam, and Sikhism, the Hinduism religion gives less encouragement to change a person's situation regarding economic well-being. His findings suggested that there are convincing reasons to conclude that religion has an influence on economic behavior in the Indian context.

The study found that ethnicity influences entrepreneurial culture which concurs with previous findings. Basu and Altinay (2001) carried out a study of different communities in London to determine the impact of race and ethnicity on entrepreneurial capability. Their sample consisted of respondents who had their origin in India, Asia, East Africa, Pakistan, Bangladesh, and Turkey. The findings showed diversity regarding entry business motives, sources of start-up capital and family involvement in business among the different ethnic groups. The evidence suggested that the interaction between culture and entrepreneurship was stronger in the case of some communities than others.

#### **5.4 Recommendations**

The study revelations on the impact of religion, ethnicity and social structure on entrepreneurial culture, poses a challenge on the need for Kenyan communities to have values and policies that favor entrepreneurship and entrepreneurial activities. Also the need to manage the current socio-cultural environment by transforming its weaknesses into opportunities for entrepreneurial activities has arisen. It is hence recommended that a complete overhaul of the Kenyan socio-cultural system and social values needs to be undertaken to shun off the people's negative attitudes, traditional ties and behavioral patterns and to develop positive attitudes geared towards attracting and facilitating entrepreneurship activities in Kenya.

Individuals, families and ethnic groups must seek to examine the relevance of the existing values and socio-cultural systems in their economic progress and should only embrace values that are capable of guaranteeing their achievement of economic progress and development. This can be done by encouraging entrepreneurial activities values that

undermine individual potential and exploration of profitable opportunities.

The Government should in their agenda set positively changing behavior and societal expectations. By keeping with current trend worldwide, it must be able to set this agenda and be committed to encouraging values and behavior consistent with economic progress and individual's independence. The government and societal leaders are therefore the most important element in the social re-engineering and value reorientation process. In addition, the government should fund entrepreneurial ideas as finances were found to be one of the main factors that influence entrepreneurial culture.

Governments must also seek to enlighten people through programs that will enable them to appreciate new values and consequently adopt them and appreciate them. In order to do this, socio-cultural change agencies consisting of psychologists and sociologists who will be able to design and implement relevant and effective programs to inculcate in individuals new desired values.

### **5.5 Limitations of the Study**

There are few earlier studies on the impact of ethnicity, religion and social structures on entrepreneurial culture in Kenya and generally across the globe and this posed a challenge in getting empirical literature. Similarly, the research study target population is based on an informal sector leading to scanty or lack of recorded data on the subject. Unreliable sample size is another limitation in the study. The study focused on 80 individuals from two major markets in Kenya. However, the findings cannot be used for generalization due the small size as well as other factors present in the market that could hinder its findings.

### **5.6 Suggestions for Further Research**

More research into the topic on impact of ethnicity, religion and social structure on entrepreneurial culture should be done in other areas in Kenya. This study concentrated in two main markets for SMEs in Nairobi and thus its findings cannot be generalized to other areas without further research.

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# APPENDICES

## Appendix 1: Questionnaire

My name is Phyllis Njambi Muthaka, a Master of Science (Entrepreneurship and Innovations Management) student at the University of Nairobi. As part of the requirement for the award of the degree, I am expected to undertake a research study on “The Role of Ethnicity, Religion and Social Structures on Entrepreneurial Culture in Nairobi”. I am therefore seeking your assistance to fill the questionnaire attached herewith. Kindly complete all the questions. The research result will be used for academic purposes only and will be treated with confidentiality. The information obtained will be purely for the purpose of this research and the identity of the respondents will be treated as strictly confidential. Thank you for your cooperation and assistance.

### SECTION A: GENERAL INFORMATION

By the means of tick (✓) kindly indicate an option that best describes you where appropriate. Also fill in the blanks where necessary.

1. Gender (a). Female   
(b). Male

#### 2. Age Bracket

| 18-25 | 26 – 30 | 31 – 35 | 36 -40 | 41 – 45 | 46 – 50 | 51 and above |
|-------|---------|---------|--------|---------|---------|--------------|
|       |         |         |        |         |         |              |

#### 3. Age of the business

| Less than 5 years | 5-10 years | Over 10 years |
|-------------------|------------|---------------|
|                   |            |               |

**4. Education level**

| O level or below | Some College | University degree |
|------------------|--------------|-------------------|
|                  |              |                   |

**5. Indicate your tribe/ethnic community you belong to e.g. Luo, kikuyu, Somali e.t.c.**

.....  
.....  
.....  
.....

**6) Indicate the religion you belong to e.g. Christian, Muslim, Hindu etc**

.....  
.....  
.....  
.....

**7) Does your family own any enterprise(s)? One [ ] More than One [ ] None [ ]**

**8) How will you describe your parent(s) financial outlook? Rich [ ] Middle [ ] Poor [ ]**

**SECTION B: MOTIVES FOR BUSINESS ENTRY**

i) Please indicate your overall evaluation on the motive for entrepreneurship(business entry) placing a check (√) mark in the relevant box below using the following scale;

**6. Strongly Agree (SA) 4. Agree (A) 3. Neutral (N) 2. Disagree (D) 1. Strongly Disagree (SD)**

| <b>Motives For Business Entry</b>   | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
|---|-----------|----------|----------|----------|-----------|
| Joined up the business motivated majorly by my family tradition   |           |          |          |          |           |
| Joined up the business majorly because I had funds to start a venture and my family was supportive      |           |          |          |          |           |
| To improve social status like some of my community people have through running business                 |           |          |          |          |           |
| I envy some of my religion members and community people for their success in business hence I joined up |           |          |          |          |           |
| I would say in a nutshell that my ethnic belonging contributed to me venturing in entrepreneurship      |           |          |          |          |           |

**SECTION C: FAMILY BACKGROUND**

ii) Please indicate your overall evaluation on the influence of family background on entrepreneurship venture success by placing a check (√) mark in the relevant box below using the following scale;

**7. Strongly Agree (SA) 4. Agree (A) 3. Neutral (N) 2. Disagree (D) 1. Strongly Disagree (SD)**

| <b>Family Background</b>  | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
|---|-----------|----------|----------|----------|-----------|
| I had family members in business already when I joined up and this gave me extra motivation that success in business is a possibility                   |           |          |          |          |           |
| Family tradition in business is responsible for my decision to join up, since this inculcated a business culture and information from within the family |           |          |          |          |           |
| My family attitude towards business has been positive, and this has worked to shape values and beliefs for success in business amongst us               |           |          |          |          |           |
| Family creates a bond within us and the community where I come from and this has been helpful in my resolve towards common value of success in business |           |          |          |          |           |

**SECTION D: COMMUNITY INFLUENCE**

iii) Please indicate your overall evaluation as to whether your community has influenced business success in your case by placing a check (√) mark in the relevant box below using the following scale;

**8. a) Strongly Agree (SA) 4. Agree (A) 3. Neutral (N) 2. Disagree (D) 1. Strongly Disagree (SD)**

| <b>Community Influence</b>   | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
|--|-----------|----------|----------|----------|-----------|
| The general reaction of my community to entrepreneurial behavior is positive and this has influenced my commitment to the project even during hard times |           |          |          |          |           |
| Successful business people are generally viewed in my community as warriors'/achievers and this motivates other community members a lot                  |           |          |          |          |           |
| My community's orientation to entrepreneurship perception is that which inspires the youth into entrepreneurship initiatives                             |           |          |          |          |           |
| My community adore risk takers and people with strong conviction towards success in business   |           |          |          |          |           |
| In my community, majority believes that, one can easily run a successful enterprise  |           |          |          |          |           |

**SECTION E: RELIGION INFLUENCE**

iv) Please indicate your overall evaluation as to whether your community has influenced business success in your case by placing a check (√) mark in the relevant box below using the following scale;

**8. a) Strongly Agree (SA)    4. Agree (A)    3. Neutral (N)    2. Disagree (D)    1. Strongly Disagree (SD)**

| <b>Religion Influence</b>   | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
|---|-----------|----------|----------|----------|-----------|
| The general reaction of my religion to entrepreneurial behavior is positive and this has influenced my commitment to the project even during hard times |           |          |          |          |           |
| Successful business people are generally viewed in my religion as warriors'/achievers and this motivates other community members a lot                  |           |          |          |          |           |
| My religion's orientation to entrepreneurship perception is that which inspires the youth into entrepreneurship initiatives                             |           |          |          |          |           |
| My religion adore risk takers and people with strong conviction towards success in business   |           |          |          |          |           |
| In my religion, majority believes that, one can easily run a successful enterprise  |           |          |          |          |           |

**SECTION E: ENTREPRENEURIAL VENTURE PERFORMANCE**

v) Please indicate your overall evaluation on the entrepreneurial venture performance by placing a check (√) mark in the relevant box below using the following scale;

**9. Strongly Agree (SA) 4. Agree (A) 3. Neutral (N) 2. Disagree (D) 1. Strongly Disagree (SD)**

| <b>Organizational Culture</b>   | <b>SA</b> | <b>A</b> | <b>N</b> | <b>D</b> | <b>SD</b> |
|---|-----------|----------|----------|----------|-----------|
| The venture profits has been impressive and satisfactory overtime   |           |          |          |          |           |
| The venture sales have increased over time hence good Return On Investment (ROI) overtime   |           |          |          |          |           |
| The venture has grown in terms of increased number of employees or stakeholders overtime  |           |          |          |          |           |
| The venture has grown in terms of increased scale of operations for instance opening other branches or similar venture with the same owner elsewhere in the country |           |          |          |          |           |

**THANK YOU FOR YOUR PARTICIPATION!**