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Entrepreneurial Behaviour, Institutional Context and Performance of Micro and Small Livestock Enterprises in North Eastern Region of Kenya

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Entrepreneurial Behaviour, Institutional Context and Performance of Micro and Small Livestock Enterprises in North Eastern Region of Kenya

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Abstract- In this paper explores the relationship between entrepreneurial behaviour and firm performance from institutional environmental perspective. More specifically, the study argues that an economic process such as entrepreneurial behaviour is best understood from an institutional framework. The assumption is that the motivation, commitment, experience, knowledge and behaviours of the entrepreneur are core in the entrepreneurial process. However, firm performance is also dependent on the institutional and even the geographical context in which it operates. It is on the basis of this logic that this paper argues that institutional parameters can moderate the way entrepreneurial behaviour influences performance of micro and small livestock enterprises in North Eastern Kenya. The study employed a descriptive research design where interviews were conducted with livestock traders in the north eastern region of Kenya. The study found that MSEs performance is positively influenced by indicators of legitimacy seeking behavior, risk taking and entrepreneur behavior dimensions. It is however influenced negatively by tolerance for ambiguity and locus of control indicators. The study also found that the combined effect of entrepreneurial behaviour, institutional context on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya is greater than the effects of the entrepreneurial behaviour on firm performance.

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I. Introduction

The concept of entrepreneurial behaviour focuses on the concrete, theoretically "actions of individuals – as solo entrepreneurs or as part of a team of entrepreneurs – in the start up or early stages of organization creation, usually the first six to seven years" (Bird, Schjoel and Baum, 2012:2). It manifests itself as a discrete unit of individual activities that can be observed by audiences. Institutional context are the external actors both in economic and social kind that influence a firm's choices of direction, action and ultimately its performance. Firm performance concerns with the growth and survival of the business and finally meeting the goal of firm's owners.

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

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

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

packaged and transport them to markets and sell them at an unpredictable, uncertain price. People who possessed the motivation and alertness to take advantage of these unrealized profit opportunities were called "entrepreneurs". The basic characteristic of Cantillon's analysis was the emphasis on risk. Entrepreneurship he underlined is a matter of foresight and willingness to assume risk.

In their seminal paper titled "In search of the meaning of entrepreneurship" (1989:40), Hebert and Link emphasize that theories of entrepreneurship could be either static or dynamic, "only dynamic theories of entrepreneurship have any significant operational meaning." Arguing that throughout history the entrepreneur has worn many hats and played many roles. Herbert and Link identified at least nine distinct dynamic themes in the economic literature regarding the role of the entrepreneur in society. These are: one, the entrepreneur is the person who assumes the risk associated with uncertainty; two, the entrepreneur is an innovator. Three, the entrepreneur is a decision-maker. Four, the entrepreneur is an industrial leader. Five, the entrepreneur is an organizer and coordinator of economic resources. Six, the entrepreneur is a contractor, seven, the entrepreneur is an arbitrageur. Eight, the entrepreneur is the owner of an enterprise and nine, the entrepreneur is an allocator of resources among alternatives uses.

In order to synthesis the Cantillon's views on entrepreneurs as bearers of risk and uncertainty, Kirzner's view on entrepreneurs as the essence of alertness to profit opportunities and Schumpeter's views, entrepreneurs as "innovators" engaged in a process he called "creative destruction", Hebert and Link suggested a 'synthetic definition of the concept of entrepreneurship as "the entrepreneur is someone who specializes in taking responsibility for and making fragmental decisions that affect the location, form, and the use of goods, resources, or institutions" (Hebert & Link, 1989:47). This definition has been cited as synthetic because it incorporates the main themes of entrepreneurship: risk, uncertainty, innovation, perception and change. The definition nevertheless does not capture all the important themes of social development of entrepreneurship and micro to small business research which draw great interests from scholars, as well as from policy makers in the public sector domain.

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

Based on these discussions, it is clear that entrepreneurship is a multidimensional, multidisciplinary field which is critically important for the welfare and economic prosperity of society. As such the concept of entrepreneurship is dynamic, situational dependence and can be viewed using different theoretical lenses. Therefore, this study has focused on its objectives within the framework of entrepreneurial behaviour, social and economic institutions and resource based view of the firms as the anchored theories.

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

It is estimated that the livestock sector contributes at least Ksh150 billion annually to the Kenya's economy even though Kenya is a livestock deficit nation unlike Ethiopia and Somalia. Kenya's livestock sector, although informal, is a multi-billion-shilling industry Gathoni (2014). According to *Mifugo ni Biashara* Project in arid and semi arid land (ASAL) the national per capita meat consumption in urban areas is 18.5kg/yr with a national average of 10.8kg/yr, which is high given the estimated average for sub-Saharan countries at 9.4kg/yr.

Presently, Kenya's meat export markets are Egypt, Kuwait, United Arab Emirates, Tanzania and DRC Congo (Sanga, 2014, The Standard, Sept 2: P22). The world health organization report indicates that the world's livestock sector is growing at an unprecedented rate due to population growth, rising incomes and urbanization, with annual meat production projected to increase from 218 million tonnes in 1997 – 1999 to 376 million tonnes by 2030 (Gathoni, 2014). This drives the

sectors potential growth rate. Therefore the economy and social activities of the population of North Eastern Kenya depend heavily on income from livestock (Knips, 2004). For the owners, camels and cattle are not just some assets. There are emotional, social attachments to these treasured livestock.

In terms of socio-economic quality of life ratings, the three counties of North Eastern Kenya, a recent study called Socio Economic Atlas of Kenya, 2014, revealed were doing relatively badly (GoK, 2014). Comparatively according to the Socio-Economic Atlas of Kenya, only 2,000 households or 1.6 percent of the households in Mandera have access to TV; only 1.5 percent has piped water in Wajir, and the three counties as a whole have poverty incidents of 86 percent, making them the counties with the poorest access to modern service and conveniences in the country. The three counties also lead in both child and maternal mortality rates.

The North Eastern Kenya region consists of the three counties of Garissa, Wajir and Mandera. Mandera borders Ethiopia and Somalia while Garissa and Wajir counties share a long border with Somalia. Besides the local supplies, the other livestock traded in the markets of the three counties are brought to the local markets by pastoralists and traders across the border from livestock net exporting countries such as Ethiopia and Somalia who are attracted by stable markets. The livestock owners, pastoralists and traders live in a remote region with the attendant environmental, cultural, ecological and resources challenges which all justify this study. The capital investment of micro scale traders range from Ksh 10,000 to 400,000, small size traders from Ksh 400,000 to 2.5million and medium size traders invest up to Ksh10 million (Garissa County Development Plan, 2010). It is in that background that the performances of MSEs in the livestock sector in the North Eastern Kenya was investigated by this paper.

II. Research Problem

Many studies focusing on the effects of entrepreneurial behaviour on firm performance have argued for direct relationship between the two (Covin & Slevin, 1991; Delmar, 1996, Kirby, 2003). Knowledge of predictors of new firm or existing firm performance is unquestionably of interest to entrepreneurs, to those who provide advice to entrepreneurs as well as to investors in new or existing ventures. Several studies, however, indicate that the relationship between entrepreneurial behaviour and firm performance is moderated by institutional conditions (Bird et. al, 2012; Covin & Slevin, 1991). Whereas some of these studies have conceptualized a direct relationship between entrepreneurial behaviour and firm performance, the results from their findings have been inconclusive (Fisher, 2012; Kirby, 2003). Furthermore, many of these studies focused only on two variables relationship (Orero, 2008; Khayesi, 2010). Moreover, there is a dearth of studies examining the relationship between entrepreneurship behaviour and firm performance in Kenya.

Against this background, this paper addresses those highlighted inconsistencies and knowledge gaps by establishing the effects of institutional context on the relationship between entrepreneurial behaviour and firm performance by answering the broad question. How do entrepreneurial behaviour and institutional contexts individually influence the performance of micro and small livestock enterprises in North Eastern Region of Kenya? The two objectives of this paper are to establish the relationship between entrepreneurial behaviour and micro and small enterprises performance and also to determine the moderating effect of institutional contexts on the relationship between entrepreneurial behaviour and the performance of the Micro and Small Enterprises studied.

III. Methodology

This study used a descriptive survey research design. The population for the study consisted of all the micro and small livestock enterprises registered with the Counties of Garissa, Wajir and Mandera as at 31st May 2014. According to the County Governments there were 305, where Garissa County had the highest number, 145, Wajir 78 and Mandera 82. A survey was conducted with a response rate of response rate 64 percent.

Cross sectional data was collected using survey instrument research questionnaire. The questionnaire used Likert type scale for collecting the data. Follow up interviews and focus group discussion methods were also used to provide additional depth of responses to make up in part of the deficiencies of the survey method. The data was subjected to tests of normality, tests of multicollinearity, test of linearity and test of hetersoscedasticity. The data satisfied all the four tests. Descriptive and inferential statistics such as multiple regression and ANOVA were used to analyze the data in order to address the objectives.

IV. Findings and Discussion

Objective 1: Entrepreneurial behaviour and performance of MSEs

For the purpose of testing objective one, entrepreneurial behaviour was framed as a function of the dimensions of motivation – achievement need, legitimacy seeking behaviour, risk taking, locus of control and tolerance for ambiguity or business failures (Rwigema, 2008). These five dimensions were thus operationalized by asking questions to the MSEs owners and managers about the concrete actions illustrating these elements. Similarly, performance of the MSEs was measured in terms of average growth in profits, profit to

sales ratio, and improvement in the satisfactions of the respective MSEs owner and managers. In this section first correlation analysis was done on entrepreneurial behaviour and MSEs performance followed by regression analysis.

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

The results for the correlation analysis show no negative correlation between any of the variables and MSEs performance. The results indicate that there is a positive correlation between entrepreneur aspects of tolerance for ambiguity, legitimacy seeking behavior, risk taking, and locus of control as well motivation (achievement need). The correlation between compliance with business regulation as a legitimacy seeking entrepreneur behavior and composite MSEs performance was r=0.421. Correlation for ability to plan as a tolerance for ambiguity indicator correlated positively with MSEs performance, with r=0.293. Motivation/achievement need measured by the promise of a future prospect of livestock business had a moderately positive correlation with MSEs performance r= 0.578. Taking bold and wide ranging acts for the business and the motivation of never giving up in the livestock business regardless of failure as risk taking entrepreneur behavior correlated positively with MSEs performance r=0.373, and r= 0.552 respectively.

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

Table 1 : Regression Prediction Model Summary for MSEs Performance and Entrepreneurial Behaviour

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

Table 1 shows the regression prediction model summary for MSEs performance and entrepreneurial behaviour. Although the results of the correlations showed statistically significant relationship between entrepreneurial behaviour and MSEs performance, it was felt necessary to test further objective 1, using the direct measures for the dimensions of entrepreneurial behaviour. The literature reviewed such as those of Kirby (2003); Stokes and Wilson (2006) argue that entrepreneurial behaviour manifests in business firms in the forms of motivation / need for achievement, locus of control, legitimacy seeking behaviour, opportunity identification, resource accumulation efforts, and risk taking. The results in Table 1 indicate that, MSEs performance is positively influenced by indicators of legitimacy seeking behavior(X_4), risk taking (X_3) and (X_5) entrepreneur behavior dimensions. It is however influenced negatively by tolerance for ambiguity(X_1) and locus of control indicators(X_6). The resulting model is expressed as follows:

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

This model has an r coefficient of 0.378 and an F value of 4.96 significant at P< 0.01. This means the model could be used in predicting livestock MSE performance based on indicators of entrepreneur behavior. Hence, entrepreneur behavior has a positive influence on MSEs performance as indicated by the correlations. The model is moderately strong since entrepreneur behavior account for 11.4 percent of change in livestock MSEs Performance, with a standard error of 0.796. The Table 4.1 shows that Tolerance values lie below 1.00 and VHF below 10.00. This shows that there were no problems of multicollinearity in the regression. The same was true for other regressions.

Objective 2: Institutional context moderate performance of MSEs

Two- way ANOVA enabled us to examine the main effects, that is the effects of the independent variables (entrepreneur behavior) on the dependent variable (MSEs Performance) but also the interaction effects that exists between the independent variables. The interaction effects of the two predictors on MSEs performance are summarized in Table 2

Table 2 : Two Way ANOVA Interaction Analysis

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

Table 2 shows, as hypothesized in objective 2, the combined effect of entrepreneurial behaviour, institutional context on the performance of the micro and small enterprises in the livestock sector in North Eastern Kenya is greater than the effects of the entrepreneurial behaviour on firm performance. In this paper it was found that the combined effect of the two predictor variables on MSEs performance was greater than that of individual predictors.

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

V. Conclusions

The thrust of this study was to examine the determinants of the performances of the micro and small enterprises in the livestock sector in Northern Eastern Kenya – in the counties of Garissa, Wajir and Mandera, while anchoring it on institutional, Bricolage and resource based theories of entrepreneurship studies. In this regard, the main purpose of this study was to establish the extent to which institutional context affected the relationship between entrepreneurial behaviour and the performance of micro and small enterprises in the livestock sector in North Eastern Kenya. Entrepreneurial behaviour together with institutional theories is popular research lenses for entrepreneurship research (Landstrom, 2006; Boettke & Coyne, 2004). In order to achieve the four research objectives of this study, basic descriptive statistical nominal and ordinal data analyses were used.

The study found that about 18% of the MSEs were "somewhat thriving" and the majority, 82% were "performing poorly, only surviving." Past studies, Delmar (1996) and Boettke and Coyne (2004) also confirmed that entrepreneurs interest in the business–determination and attitude to the growth of the firm were the most important individually related variables. Motivation was completely dominant as representative of individual differences of the owners of the MSEs. It was also noted that entrepreneurs who had chosen to concentrate on few customers also performed better than those who focused on the general public. The study finds that institutional context has positive significant moderating influence on the relationship between entrepreneurial behaviour and the performance of micro and small enterprises.

The overall conclusions for this study based from the data analyses, literature and the findings are that policy makers, practitioners and scholars in the discipline of entrepreneurship need pay greater attention to entrepreneurial behaviour, institutional context in order to secure better sustained growth of micro, and small enterprises in the livestock sector and in all others sectors in general.

VI. Implications for Theory, Policy, Practice and Further Research

The findings and conclusions of this paper have a number of theory, policy and practical managerial implications. As concerns theories, this study was anchored on institutional and resource based theories. This paper makes the following recommendations for which have implications for theory, policy and practical managerial. A number of theories such as heterogeneity demand theory, differential advantage theory, resource heterogeneity and competence based theories share an emphasis on internal aspect of the firm as determinants of firm performance. However, institutional theory focuses on the external aspect of the firm as the drivers of firm survival and growth. Bricolage and effectuation theories address the behaviour of entrepreneurs in resource scarce environment. This is a major implication of entrepreneurship theory.

The findings and conclusions of this paper also suggest three major policy approaches: Facilitating access to financial capital for livestock trade, empowering livestock producers through provision of information on market prices, government regulations, veterinary services, buyers preferences, supply and demand of animals in major terminal markets and lowering market costs.

This paper is also useful for mangers of micro and small enterprises. This study has observed that one of the major constraints facing the MSEs is inadequate management skills. The second major constraints facing the firms in the industry are inadequate access to funding.

The managerial implication here is that the firms should form associations and join the existing SACCOs in the sector such as the USAID funded Community Owned Finance Institute (COFI). The third managerial implication is that very few of the firm are in the export sector. Whereas, the data of FAO 2014 online indicates Somalia exported live livestock valued US$ 360 million and Ethiopia exported livestock worth US$ 150 million, there were no figures available for Kenya. It is for this reason that this study has managerial implication for the firms in the sector to be export oriented if they wish to be bigger and stronger. The fourth managerial implication is that the study finds that majority of entrepreneurs in the sector have low human capital in terms of education and business skills training. Therefore the study has shown the relationship of these critical factors surrounding the performance of MSEs and suggested alternative approaches to addressing constraints arising

from them, both at the firm level and in the large context of the MSEs.

This paper recommends that future studies should investigate individual social and economic institutional variables that directly influence performance of MSEs (not investigated in this paper) while taking into account contextually different settings of causation and effectuation as popularized by Sarasvathy (2001), that is resource constraints, uncertainty and dynamic business environment. The fact that 78.9% of the variables in the MSEs performance was explained by the two independent study variables in this study still leaves 21.1% unexplained. In other words, there are other additional variables within or outside these study themes –variables that are important in explaining MSEs performance that have not been considered in this study. Therefore further research is recommended to explain more of the variables in the performance of MSEs in livestock sector in North Eastern Kenya, given the dynamic, multidimensional and complex nature of entrepreneurship.

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