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Entrepreneurship Development, Culture and Practice: A Theoretical Analysis of Literature

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Abstract- This paper gives a theoretical analysis of literature with a view to providing more insight on entrepreneurship theories, Entrepreneurship culture and Entrepreneurship development in the developing countries with specific reference to East Africa region and Kenya in particular. This paper also suggests policy recommendations that can be used to improve entrepreneurships in these countries.

Keywords- Entrepreneurship development, entrepreneurship culture, East Africa, Kenya and policy recommendations, Micro and Small Enterprises (MSE) and Small and Medium Enterprises (SMEs).

I. INTRODUCTION

"Entrepreneurship" is frequently advocated in the public debate as a key economic factor, but most people do not know the precise meaning of the word. Some view Entrepreneurship as risk bearing, establishing equilibrium, as innovation, others see it as a discovery and opportunity seizing and yet others view it as a multidimensional concept, involving aspects of uncertainty and insurance provider (Knight, 1999; Cantillon, 1759; Marshal,, 1964; Schumpeter, 1999; Audretsch , 2002).

According to Bula & Tiagha (2012), Entrepreneurship is a business venture that is engaged in value addition through the production and sale of goods and provision of services as an attempt to take advantage of a business opportunity that might entail some risk but that provides for self-employment and making money to support themselves and their families. By extension at the national level, this effort when successful, results in reduced poverty in line with millennium development goals of 2015 (MDG Conference Nov, 2005,p.vii)and Kenya's vision 2030. Value addition in this case refers to creating time utility, form utility, possession utility and place utility to the buyers of a product or service. These can be practiced by delivering the goods at the right time (time utility), changing the form of a commodity from a less useful state to a more useful state (form utility) selling goods and services to those who need them (possession utility), availing goods and services at convenient places (place utility) for the buyers. Any person who engages in a commercial activity either by producing, retailing processing or providing a service for an exchange for an income is considered to be an entrepreneur.

II. ENTREPRENEURSHIP THEORIES AND DEVELOPMENT

Kirzner and Schultz were not the first scholars to recognize the entrepreneur as an equilibrating agent. John Bates Clark had been a proponent of this argument in the early 20th century and also Cantillon had expressed such ideas (Hebert and Link, 1988).

There is little entrepreneurship research about successful entrepreneur behaviors (Gartner, 1988; Gartner, Bird, & Starr, 1992; Stevenson, 1983). However, Bhide (2000) conducted a case study of 100 new ventures and drew upon Howard Stevenson's (1983) comprehensive behavioral framework of "promoters" (entrepreneurs) and "trustees." Bhide confirmed that entrepreneurs (1) make quick incremental decisions because they face uncertainty and market pressure, (2) take action that involves minimal investment in temporary assets (3) adapt to opportunities that arise, and (4) gain from trial and error. Finance researchers who study entrepreneurs' behavior point to financial borrowing that is based upon changing goals and continuous experimentation to cope with uncertainty, shortages, and surprises (Gompers & Lerner, 1999; Smith & Smith, 2000).

Stevenson (1983) suggests that the management structure of an entrepreneurial firm is organized with multiple informal networks while administrative firms typically are organized as formalized hierarchies with clearly defined lines of authority (Stevenson & Gumpert, 1985).

An entrepreneurial management structure is designed to access resources within the firm as well as through collaborative network relationships. It is suggested to be flexible and to create an environment where employees are free to create and seek new opportunities. The control of resources and the strategies for committing resources to opportunities may enhance or stifle entrepreneurship. "Entrepreneurial management is to learn how to do a little bit more with a little bit less" (Stevenson (1983: p. 384).Entrepreneurship is about being innovative, making extraordinary things happen with ordinary things.

The dream of starting a company is held by many; however, few make it to venture start-up, and even fewer start "promising" companies (Bhide, 2000). Successful founders use an "entrepreneurial style" of thinking and acting to cope with uncertainty, urgency, insufficient personal resources, and surprise problems and opportunities. There are multiple personal, organizational, and environmental factors that impact new venture creation and success (Baum, Locke, & Smith, 2001).

British economists such as Adam Smith, David Ricardo, and J, S Mill briefly touched on the concept of entrepreneurship, though they referred to it under the broad English term of "business management." Whereas the writings of Smith and Ricardo suggest that they likely undervalued the importance of entrepreneurship, Mill goes out of his way to stress the significance of entrepreneurship for economic growth. In his writings, Mill claims that entrepreneurship requires "no ordinary skill," and he laments the fact that there is no good English equivalent word to encompass the specific meaning of the French term entrepreneur (Schumpeter, 1999). The necessity of entrepreneurship for production was first formally recognized by Alfred Marshall in 1890. In his famous treatise Principles of Economics, Marshall asserts that there are four factors of production: land, labor, capital, and organization. Organization is the coordinating factor, which brings the other factors together. Marshall believed that entrepreneurship is the driving element behind organization. By creatively organizing, entrepreneurs create new commodities or improve "the plan of producing an old commodity" (Marshall, 1994). In order to do this, Marshall believed that entrepreneurs must have a thorough understanding about their industries, and they must be natural leaders.

Marshall's entrepreneurs must have the ability to foresee changes in supply and demand and be willing to act on such risky forecasts in the absence of complete information (ibid).Entrepreneurship does not just involves complete information but it is a nexus of many competencies namely risk taking, proper understanding of the industry, proper organization, innovation and commercialization of ideas into practical business ventures. This translates to doing extra ordinary by ordinary people.

III. Entrepreneurship In East Africa

Entrepreneurship in the developing countries is characterized by creative imitation and adaptation of a particular market niche that is relevant to the country's needs (Drucker, 1985) Entrepreneurs do not use the traditional notion of creating new products or process discovery and development that was suggested by Schumpeter, instead they imitate what others have created, improve on it and sell to make profits. Entrepreneurships in the East African region is dominated by the private sector and characterized by clusters which have remained on the borderline of the informal economy with extensive "use of cheap family and apprentice labor" (Mc Cormick, 1992).

In various Kenyan locations, micro-enterprises (employing on average two persons), many of which are informal sector (*jua kali*), use simple technologies to produce a range of goods for local markets. McCormick also argued that accessing small traders was critical in providing small enterprises with the ability to reach markets. Clusters offer an important potential opportunity for Small and Medium Enterprises (SMEs) to meet standards, local joint action especially through business associations has helped clustered producers meet environmental and quality standards.

Cluster institutions also provide arenas for local firms to address issues relating to social responsibility and labor standards (McCormick (1992; 1996; UNIDO, 1986).

IV. Entrepreneurial Culture

The Kenyan culture may appear not to be very entrepreneurial but it is indeed a major contributor of wealth in the country; people go into the informal sector employment as result of necessity- last resort for lack of employment opportunity in the formal sector. It is a stereotype that the informal sector is relegated to those who are less endowed in terms of the mental intellect. The education system Kenya comprises of a curriculum that is also formal employment -biased, bent on producing graduates who are only ready for the formal employment rather than creative agents for establishing entrepreneurial ventures. Kenya is yet to establish a culture that has fully embraced entrepreneurships in its main stream employment. University and college graduates undertake training with the expectations of getting formal employment in the employment sector as opposed to acquiring skills needed to start their own business ventures.

While an outward focus on new opportunities in the environment is necessary to discover new opportunities, an entrepreneurial culture enables an organization to come up with creative solutions for how to best recombine resources in order to adjust its resource-base to new opportunities in the environment.

The culture of an organization is one of the key factors fostering entrepreneurial activities in organizations. It is an invisible aspect of an organization, which influences everything that people do. By encouraging new ideas, experimentation and creativity, managers' help to create an entrepreneurial culture with norms that support

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entrepreneurial behavior ((Brown et al., 2001; Covin & Slevin, 1991; Zahra, 2000).

V. Supply And Entrepreneurship

CULTURE IN KENYA

Most of the local investment businesses in Kenya fall under the Micro and Small Enterprise (MSE) business sector. The sector employs about 74.2% of the Kenyan workforce and contributes to about 18.4% of the country's Gross Domestic Product (GDP). The government of Kenya therefore considers this sector as an important sector in the development process, and is in the process of putting in place some programmes to develop this sector.

The Economic Recovery Strategy Paper for Wealth and Employment Creation (ERS) 2003-2007 identifies SMEs and in particular 'jua kali' expansion as one of those activities that will assist in economic recovery and growth. SME on the other hand employs more than 50% of the country's work force and contributes 40% of the country's Gross Domestic product (GDP). It is also estimated that entrepreneurship sector contributes approximately 98% of the total jobs in the private sector (CBS, 2005; KNBS, 2007).

The publication of Sessional paper no. 2 of 2005 on 'Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction' is one of the most important current government efforts to develop the MSE sector. The bill that is yet to be discussed in Kenya's parliament sets policies for developing the MSEs. Some of these policies include, among others; continued legal and regulatory reforms in the sector, harmonization of trade licensing and regulatory services, decentralization of business registration to the provincial levels and eventually to district levels, quickening the process of business registration, reforming and enforcing the local authority Act to limit and maintain its essential regulatory powers, formulating and implementing An MSE Act to provide a framework for implementing the MSE policies, improving market and marketing opportunities for MSEs both locally and internationally, through improved business linkages, increased participation of MSEs in public procurement and increased subcontracting, among other initiatives, increasing financial services to MSEs, promoting gender equity by increasing equal access to financial services for women and men, empowering women, improving gender access to education, technology development and entrepreneurship, Reforming the tax regime to improve its transparency and efficiency, strengthening tax collection and harmonizing the tax system, and, Improving health and safety in workplaces by ensuring that order, occupational safety, health, hygiene and environmental management principles are observed by all operators (CBS, 2005).

Some Acts are already in place, but there full implementation is yet to be realized. The Procurement and Supplies Act (Cap 412) of the laws of Kenya for example, became operational in November 2005; this Act recognizes the need to give priority to local companies in procurement of goods and services. The purpose is to protect the local companies, particularly the MSEs from unviable competition, increasing the market opportunities, therefore giving the local enterprises opportunity to grow. Restrictive Trade Practices, Monopolies and Price Control Act (Cap 504) of the laws of Kenya encourage competition in the Kenyan economy. It also prevents the abuse of dominance and market entry barriers (both formal and informal); therefore before policy makers can increase the supply of entrepreneurship, it is necessary for them to understand what factors affect the supply of entrepreneurs. At its most basic level, the supply of entrepreneurship is determined by two factors: opportunity and willingness to become an entrepreneur.

According to Praag (1995), opportunity is "the possibility to become self- employed if one wants to." The primary factors affecting opportunity include one's intrinsic entrepreneurial ability, starting capital, ease of entry into the market, and the general macroeconomic environment. Alternatively, willingness is the relative valuation of work in self-employment compared to one's other options for employment. In terms of opportunity cost, an individual's willingness is positive whenever self-employment is perceived as the best available career option. Thus, willingness is inherently affected by the anticipated market incentives that are available for would-be entrepreneurs, namely profit and economic benefits.

The supply of entrepreneurship is thus dependent on both individual level factors and general economic factors. Policymakers can improve the economic factors that face potential entrepreneurs by initiating market reforms that both increase the market incentives and the availability of capital that is available to entrepreneurs (Wilken, 1979).

Many economists such as Marshall and Mill suggest that not just anyone can be an entrepreneur. Nonetheless Marshall implies that the skills of an entrepreneur can be taught (1994).Thus, policymakers can affect the level of entrepreneurship in their countries by crafting policies that reform the market in order to encourage entrepreneurship both economically and educationally.

Regional variations have been found in the levels of entrepreneurship between countries. In their cross-national study of entrepreneurship, Davidson and Wiklund (1995) suggest that regional variations in the levels of entrepreneurship are influenced by the cultural values of the people. They claim that "cultural and economic-structural determinants of the new firm formation rate were positively correlated," thus suggesting that cultural differences in both values and beliefs help explain regional variances in the supply of entrepreneurship. Despite this relationship, other studies on migrant and ethnic entrepreneurs have found that cultural beliefs and values rarely suppress aspiring entrepreneurs (Doerr, 2005; 2010).

Kenya being a free market economy that encourages economic liberalization has great prospects of developing entrepreneurial culture if the challenges facing entrepreneurs can be mitigated upon by the different stakeholders in entrepreneurships such as curriculum designers, banks, local authorities and the government policy making organs.

VI. ENTREPRENEURSHIP PRACTICES IN KENYA

Entrepreneurship in Kenya comprises of micro and small enterprises with a few enterprises graduating to medium enterprises. The missing middle is a worrying scenario in Kenya's entrepreneurships not to mention the large enterprises. Family businesses have a greater potential to graduate from small to medium enterprises than other enterprises. A further classification of Kenya's entrepreneurship is on demographic factors such as youth enterprises, women enterprises and male dominated enterprises with a major focus based on the youths and the women as the two categories are considered marginalized due to certain constraints that they face. The male dominated enterprises have leverage over the other enterprises because of the Patriarchal nature of Kenya and the African culture which tends to give the male gender superiority in political, social economic matters.

Entrepreneurship in Kenya is a high risk and high reward proposition. An entrepreneur chooses to participate in ventures in Kenya with low risk and high reward using his knowledge of Kenyan culture and business. Entrepreneurs entering the Kenyan market without local knowledge. In Kenya, one entrepreneur with resources may pursue an opportunity, where in United States (US) there might be five entrepreneurs pursuing an opportunity. An entrepreneur with capital resources and a local knowledge of the country has tremendous opportunity. Entrepreneurs make up a very large portion of the economy in Kenya; entrepreneurs are the major employers in the Kenyan economy. Kenya is the most entrepreneurial country in Eastern Africa. The majority of the entrepreneurs are small independent business people trying to make a living to survive. They are vegetable vendors (mama mbogas), border- border operator (bicycle taxis) among others. This makes up the majority of the economy in Kenya and not the Medium, or Large Businesses. The stability of the government and the success of the Kenyan stock market are creating opportunities for educated people living outside the country to invest within the country. If the local economy does not have an individual with the necessary skills businesses hire people from India. India is a "Human Capital" resource for Kenya. Friends and family are the primary resources for startup funds. The Kenyan people have a very strong sense of individualism. Some of the other countries of Africa depend more on the state for help. The government is neither beneficial nor prohibitive because it has liberalized the sector. The government is staying out of the way and letting the free market run free. The Judicial System in Kenya has drastically improved over the last several years. The local media has improved as well adding a new sense of transparency to the government which did not exist before in Kenya. Today, business people would not be afraid to take the government to court, where this was not the case five years ago (Choi, 2008).

Many Kenyans are working in the Diaspora (in the US, Canada, and UK) and this contributes to brain drain which impacts negatively to the economy in terms of using the skills of the educated elites to develop the economy although it can be argued that the wealth that they bring back to this country also contributes to a better GDP. The stability of the government and the success of the Kenyan stock market should be harnessed to improve entrepreneurship development in the country (ibid).

Entrepreneurship is the only solution that can drive the economies to better performance. Indeed, the global focus of employment and wealth creation is the continued development of the small and medium enterprise sector (SMEs) which forms the core of Entrepreneurship. Entrepreneurship entails innovation, calculation of risk, patience and commitment (Bula, 2012c).

The Kenyan entrepreneur faces a myriad of challenges that need mitigation if entrepreneurship culture and development is to be sustained. Kenya being a developing country, has a high rate of unemployment and the government is trying through technical, vocational and entrepreneurship training (TIVET) to entrench entrepreneurial education in technical institutes, polytechnics and universities so as to equip the graduates with life skills that can prepare them for the informal sector employment as opposed to the traditional culture of seeking formal employment. The most hard - hit are the youth who after graduating from Universities and other institutions of learning, find themselves unable to secure formal employment opportunities, thereby failing to gainfully contribute to economic development of this country despite their enthusiasm, energy and drive.

It has for instance promised to improve the operational environment such that the economy can create at least 500,000 new jobs every year (ibid).

VII. POLICY RECOMMENDATION

The supply of entrepreneurship is affected by many factors, not all of which can easily be controlled or changed. In many countries market regulations limit the incentives that could encourage would-be entrepreneurs to start their own enterprises. For example, price ceilings that are set below market equilibrium lower the amount of revenue that an entrepreneur could earn in a certain industry. If the anticipated economics benefits are lower than the opportunity cost, than the would-be entrepreneur will not start his own enterprise. Thus, in many countries policies should be implemented to increase and improve the incentives for entrepreneurs. Additional policy possibilities include tax incentives for entrepreneurs (Choi, 2008). The government can also increase the supply of entrepreneurs through providing the necessary support networks which will go a long way in establishing appropriate entrepreneurial culture in the country.

Access to credit is another issue that should be addresses by policy makers, financial institutions and government to improve the availability of credit and capital: This is a major determinant of entrepreneurial success. In order for an individual to start his own enterprise, it is necessary for him to have the credit or capital to finance the initial start-up costs(Bula, 2012a). One of the primary problems facing would-be entrepreneurs in developing countries is lack of such capital. Without initial capital, many entrepreneurs do not have the funds to start enterprises of their own. The government should focus on micro-credit programs, like Family bank, Kenya Women Finance Trust (KWFT), Faulu Kenya, K-Rep bank among others.

7.1 Promoting Entrepreneurship Culture and training

Mill(1848) and Marshall suggest that the skills associated with entrepreneurship are rare and limited in supply. He claims that the abilities of the entrepreneur are "so great and so numerous that very few people can exhibit them all in a very high degree". Marshall, however, implies that people can be taught to acquire the abilities that are necessary to be an entrepreneur. Unfortunately, the opportunities for entrepreneurs are often limited by the economic environment which surrounds them. Although entrepreneurs share some common abilities, all entrepreneurs are different, and their successes depend on the economic situations in which they attempt their endeavors (Marshall, 1994).

Many economists today, but certainly not all, believe that entrepreneurship is by itself the fourth factor of production that coordinates the other three (Arnold, 1996). Knight claims that an entrepreneur will be willing to bear the risk of a new venture if he believes that there is a significant chance for profit (Swoboda, 1983). Although many current theories on entrepreneurship agree that there is an inherent component of risk, the risk-bearer theory alone cannot explain why some individuals become entrepreneurs while others do not. Without doubt, most people venture into business or self employment when formal employment opportunities fail to materialize. Research indicates that most of those who succeed in entrepreneurship are either trained on the kind of businesses they venture into or continue business training as they progress. This is in consideration of the fact that every business has many facets, which every entrepreneur must be familiar with. Those who do not undergo training are unlikely to be familiar with all the facets.

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Furthermore, the business environment is highly dynamic, therefore requiring changing approaches to doing business. Probably, that is why the success rate of new business is only 15% in the first years. Entrepreneurship culture and expertise be first inculcated to Kenyans .This means that skills in entrepreneurship, business planning and financial management must elaborately be imparted before any funds are disbursed(the youth fund and women's fund).

7.2 Funds Disbursements

In Botswana, an entrepreneurship fund was introduced in 2001 and has been managed by a government body, namely Citizen Entrepreneurship development Agency (CEDA). The experiences of Botswana were presented in a recent entrepreneurship development conference. The fund has for example been politicized. In addition, people view the fund as free money from the government thus no intension to ever repay (Saxenian, 2000; Choi, 2008; Kummerle, 2005). The Kenya government should take note of these experiences too, before considering the methods to adopt in managing the funds. Management of Entrepreneurship Development Perhaps the government should consider spreading out the benefits of entrepreneurship development fund throughout the country. This can be done through engaging personnel to run business development centers where training can be disseminated and business development services provided. This means that part of the funds should inevitably be used in promoting entrepreneurship and business training if the funding is going to achieve the desired objectives.

A National board of trustees should be charged with management of the fund whereas applications should be handled at the business development centers.

The experiences of the Ministry of Agriculture with its agricultural extension officers and probably that of Agricultural Development Corporation should form a good guide on the way forward, regarding adoption of the business development centers. The centers will not only enhance continued monitoring and provision of assistance to new entrepreneurs but also facilitate disbursements of the funds across the board. The perception of banks as lending institutions should change to embrace a more accommodative policy in their lending. Traditionally banks in Kenya have been known to be biased against women borrowing since they stress on collateral security (e.g title deeds) which lacks in women because of the patriarchal nature of the Kenyan culture. This practice has stifled entrepreneurial development.

7.3 Reform market regulations to facilitate entry into the market

Saeed (1998) suggests, many women and young persons are excluded from the formal sector in Least Developed Countries (LDCs) because of cultural values or legal restrictions. By preventing these groups from participating in the formal market, these countries are essentially limiting the size of their pool of would-be entrepreneurs. By eliminating discriminatory employment and licensing policies, countries could create an influx of possible entrepreneurs. Unfortunately, such polices may not be culturally popular in some countries. Countries can increase their supply of entrepreneurship by improving the ease of entry into the formal sector. Many LDCs use licenses and permits to regulate who can participate in the formal sector. Although these policies may earn government revenue or protect state-owned enterprises, they effectively make the markets inefficient (by limiting competition) and prevent would-be entrepreneurs from starting their enterprises.

By reforming their market-entry laws, some countries will be able to increase their supplies of entrepreneurs. As an example, Nigeria's abolition of its marketing boards provided new opening for a large number of small entrepreneurs to enter the market with creative imitations. Increase entrepreneurial opportunities available to women and young persons

7.4 Develop entrepreneurship encouragement programmes

By passing legislation that is friendly towards entrepreneurs, countries can make it more culturally acceptable and less risky to be an entrepreneur. Additionally, entrepreneurship encouragement programs, like the, Technopreneurship' Initiative in Singapore (Murmann, 2003), can assist entrepreneurs in finding capital, setting up a business plan, and complying with the various business and tax regulations. Initiate entrepreneurship educational programs: New education initiatives should be created to teach entrepreneurship. By equipping more people with the skills to become entrepreneurs, a country can effectively increase its supply of competent entrepreneurs.

Economists disagree as to whether entrepreneurial skills can be taught or whether they are intrinsic. Nonetheless, there have been successful results from such educational programs. One example of such a policy is the Malaysian Entrepreneurship Development Centers in the rural, indigenous areas of Malaysia. These centers teach the indigenous people entrepreneurial skills and assist aspiring entrepreneurs with the development of their business plans (Choi, 2008).

7.5 Strengthen micro-credit finance programs

The government should implement micro-credit programs to assist potential entrepreneurs. Thus, the policies that an LDC implements to increase its supply of entrepreneurship must be crafted individually for the country's specific case and stage of development. Additionally, like most development policies, many of the above recommendations require government expenditure; governments should therefore be committed to entrepreneurial ventures by allocating budgets that support entrepreneurships in their national budgets.

VIII. CONCLUSION

The theories of entrepreneurships attempts to link entrepreneurship and profits. However, researchers like Marshall who view an entrepreneur as an innovator fail to link the process of innovation and entrepreneurship in a situation whereby a new product/process/service has been introduced and profit is not realized. The gurus of innovation argue that an experiment may fail but one has to keep on trying until success is realized.

The theorists in entrepreneurship fail to classify this type of an innovator who experiments and may one day succeed in making profits because entrepreneurship is about commitment, patience and risk taking Entrepreneurship culture can be development if an enabling environment is established in entrepreneurships ventures and if there is a re-engineering of the education system that supports entrepreneurship development and growth. Cultural practices, Stifling government policies, strict banking policies and the stereotype on entrepreneurships impedes the taping of information the potential entrepreneurs who have graduated from universities and middle level colleges have that would be translated into entrepreneurial practice.

Knightian and Kirzner entrepreneurships may be applied after business start-up, but what happens before the business start-up is not mentioned.

The Knightian entrepreneur is an insurance agent, he equilibrate when there is an economic shock like what happened globally in the year 2008 to 2009 due to existence of global economic meltdown through providing goods and services needed.

Kirzner moves the economy into equilibrium that is non-existent. Economies are never static and therefore equilibrium point can never be attained While the modern theories try to capture the power of unlimited growth by using mathematical models to explain entrepreneurship behavior; the study of organizational behavior reveals that human behavior is complex and unpredictable that cannot be explained by a model which tends to simplify and omit certain aspects of behavior such as emotions which may not fit well in a model. If Kenya's entrepreneurs can borrow from some theories and development of entrepreneurship in the developed countries through improving on the various policy areas and their entrepreneurial culture then Kenya can be an economic hub not only in the East African region but also in Africa.

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