

Effects of Entrepreneurial Behavior, Social and Economic Institutions on the Performance of Micro and Small Enterprises in the Livestock Sector in North Eastern Kenya.

Dr. James M. Gathungu PhD, CPS (K)
Senior Lecturer in Strategy and Entrepreneurship
School of Business, University of Nairobi
Kenya

Dr. Bilow Khalid PhD
Intergovernmental Committee on Devolution
Ministry of Planning and Devolution
Kenya

Abstract

This study proposes to inquire into the performance of micro and small livestock enterprises (MSLEs) in North Eastern Kenya. Specifically the study proposes to examine how the performance of MSLEs are influenced by entrepreneurial behavior and selected social and economic institutions variables. The study is based on several empirical studies, literature review and conceptual framework. The study is anchored on Bricolage, effectuation, resource based view and institutional theories. Bricolage and effectuation theories of entrepreneurship unlike causation help to provide acceptable explanation for how entrepreneurs successfully overcome the challenges of resources. Institution and resources theories help to provide well grounded explanation as to why some firms perform better than others or some enterprises fail altogether. Policy implication of the study was derived from the fact that 73% of Kenya is arid and semi-arid lands, suitable for livestock rearing. Studies have consistently demonstrated the importance of micro and small enterprises (MSE) to the economies of developed and developing countries. MSEs can complement the efforts of the state to achieve economic growth, social stability, employment creation, equitable distribution of goods and services, poverty reduction in rural and urban areas.

Key words: Entrepreneurial Behavior, Social and Economic Institutions, Bricolage, Effectuation, Resource Based View

Introduction

Entrepreneurship which is an economic process can best be understood from an integrated behavioral institutional model and business performance perspectives (Fisher, 2012). Arising from this logic, it is argued that social and economic institutions can moderate the way entrepreneurial behavior influences performance of micro and small enterprises. Entrepreneurship and small business studies have used different theoretical frameworks. Some applied entrepreneurial behavior theories, personality theories, entrepreneurial orientation, institutional theories, sociological and evolutionary theoretical perspectives (Aldrich, 2005; Kirby, 2003; Delmar, 1996; North 1990). The choice of theoretical anchorage depends on nature and context of the studies as well as the preferences of the researcher. One of the popular theoretical underpinning that has proven useful lens for entrepreneurship research is entrepreneurial behavior which is the manifestation of the overt, concrete actions of individuals or teams to discover, evaluate and exploit business opportunities (Covin & Slevin, 1991).

The study nevertheless uses theoretical perspective on which to explain the variables influencing the performances of MSEs. Bricolage and effectuation as emerging theories of entrepreneurship, entrepreneurial behavior theories, institutional theories and resource base view (RBV) are the main theoretical framework of the study.

Many studies focusing on the effects of entrepreneurial behavior on firm performance have agreed for direct relationship between the two (Covin & Slevin, 1991; Delmar, 1996, Kirby, 2003). The past studies have demonstrated that entrepreneurial behavior such as locus of control, resource leveraging, thrifty and risk taking behaviours have positive effects on firm performance. For instance Dyer, Gregersen and Christensen (2009) found that firms with more entrepreneurial behavior orientation performed better than those that were more conservative or were risk averse. However, it is observed that entrepreneur behavior is only one internal dimension of business performance. An entrepreneur may be behaving highly and appropriately, but his or her business performs poorly or even fails because of unforeseen events or due to factors not controllable by the entrepreneur.

The previous results of the study of behavior and motivation in the context of entrepreneurship have yielded four concepts which are relevant to entrepreneurial behavior: achievement need, risk taking, tolerance of ambiguity and locus of control or self- efficacy (Rwigema, 2011:51). Findings from many studies, however, lack consensus e.g. studies by Covin and Slevin (1991) and Delmar (1996) for instance reported that entrepreneurial behavior influences firm performance and that such performance is either enabled or constrained by environmental dynamics. The study by Fisher (2012) on the other hand argued that entrepreneurial behavior is an environmental dependent. Social, economic and ecological environment manifest themselves more in micro and small enterprises than large and medium size firms.

Entrepreneurs display certain similar characteristics and patterns of behaviours or traits. The main psychological characteristics of the entrepreneurs would appear to be risk- taking ability, need for achievement, locus of control, desire for autonomy, creativity and opportunism (Kirby, 2013). In psychological terms it is believed that individuals activate their entrepreneurial potential if they have; specific ability, possess technical knowledge, environmental possibilities-opportunities, inclination, the will to produce wealth, motivation and social support.

Various studies posit that whereas entrepreneurial behavior has a positive influence on firm business performance, such effects is not universal (Fisher, 2012, Covin & Slevin, 1991). Understanding the role of institutions in enabling or constraining entrepreneurial behavior, firm performance and entrepreneurship as a system is critical for entrepreneurial recognition, initiation, sustainability, growth and policy formulation for improving performance of MSEs in a country or region. The concern of institutional theory is with how various groups and organizations “better secure their positions and legitimacy by conforming to the rules and norms of the institutional environment” (Bruton, et al, 2010). The term “institution” is a description of both the formal and informal rule sets. Institutions can be grouped into social and economic. The social and economic institutional environment of a firm is a major determinant of its performance in addition to owner’s entrepreneurial behaviors. Social and economic institutions that influence the creation, operations and performance of business have been categorized into twelve groups (Mc Cormick & Kimuyu, 2007). The key social institutions are trust and related institutions, family, community, ethnicity and gender. The economic institutions are firms, goods markets, business associations’ state and its agencies law and contracts.

In North Eastern Kenya livestock trade begins in remote villages among the pastoralists where “bush traders” procure animals from pastoralist households in location and sub-location markets. These animals pass through many stages, some ending in terminal markets in Nairobi, Mombasa or in export markets. To the economy of North Eastern Kenya, it is estimated that livestock contributes about 80% (GoK Garissa livestock marketing council, 2010). The livestock trading MSEs, however face many constraints, resources constraints being the first.

Concept of Entrepreneurship

Richard Cantillon (1755) who is credited with giving the concept of entrepreneurship a central role in economics described entrepreneur as a person who buys a product at certain price, thereby assuming the risk of enterprise. This is decision about resource allocation. Any one person who undertakes the formation and operation of an organization for commercial purposes is an entrepreneur. The word itself, derived from French, *entreprendre*, literally means “between takers” or “go between” or “undertakers”, meaning those who “undertake” the risk of new enterprises, or going between in trade (Holt, 2002).

Thematically the extant theories of entrepreneurship focused on arbitrage and the bearing of risks (Cantillon, 1755; Kirznen, 1973), co-ordination of factors of production, innovations (Schumpeter, 1934), Leadership, motivation, personal psychological traits or need for achievement (McClelland, 1961). These theories are not complete.

They are evolving and do not provide necessary or sufficient conditions for identifying dynamic behavioural entrepreneurship (Kirby, 2003). Based on these perspectives, several researchers have developed their own theories. Some of these theories are institutions theory (North, 1990); social and human capital theory (Schultz, 1975); resource based view (Penrose, 1959), evolutionary theory (Reynolds, 1992 and bricolage and effectuation theories of entrepreneurship behavior (Sarasvathy, 2001). In the light of these diverse perspectives of entrepreneurship theory and practice, which reflects the multidisciplinary nature of the field, the most appropriate theoretical foundation of any entrepreneurial study is one that takes into account the objectives and the context of the study in a manner which is sufficiently integrative enough.

Entrepreneurial Behaviour

Entrepreneurial behaviours are the “concrete enactment of individual or team tasks required to discover, evaluate and exploit business opportunities, start and grow a new organization and manifest as a discrete unit of individual activity that can be observed by audiences” (Fisher, 2012). The decision to behave entrepreneurially is the result of the relationship of several factors. The entrepreneurs’ personal characteristics, goals and environment provide one set of factors. Another set is provided by the social and economic institutional environment. Individuals then look at the relationship between their entrepreneurial behaviors they would implement and the expected outcomes in terms of intrinsic and extrinsic rewards (Kuratko & Hodgetts, 2007). Entrepreneurial behavior has two levels, that is the individual and the organizational levels. The individual level behavior models and theories focus on traits of the individual entrepreneur whereas the organizational focus on firm- level perspective.

Entrepreneurial performance is a firm- level phenomenon. Level of analysis is at the firm level (Dyer, et al., 2009). It can be rightly argued that individual level behavior on the part of MSE owners may affect an organizations action and in many cases the two, the individual and firm- level behaviours are synonymous (Covin & Slevin, 1991). Entrepreneurial behavior is a necessary, but not sufficient condition for firm performance as it is contextual dependent.

Social Institutions

Institutions are the social and economic contexts in which entrepreneurship and small businesses activities take place. Institutions include the country’s organizations, laws and the regulations governing its economic interaction as well as social values and norms among the peoples. The domain of social institutions includes family and community, ethnic and gender. The importance of social institutions to entrepreneurship is mainly derived from its sources as a provider of much needed various resources in form of; knowledge, networks, finance, information, emotional support and human capital. This is what commonly referred to as social capital. Social capital is actual and potential resources embedded within, available through and derived from the network of relationships possessed by individuals or social units” (Bruton, et al., 2010). It is also defined as the relationships and networks from which individuals are able to derive institutional support (Rwigema, 2011).

Researchers have agreed that social capital is uniquely positioned to “address the integrative theoretical needs of entrepreneurship scholars because it helps explain process and outcome of institutional interactions at multiple levels of analysis and across diverse sets of situations and contexts”. (Gedajlovic, et al., 2013: 456). It exists at the country level, for example in the degree of trust in government and other institutions. It exists at the community level, such as the quality of connections within communities and at the individual level, in the form of confidence or motivation (Parker, 2004). Social capital theory explains the ability of the entrepreneurs to extract resources form their social structures, networks and memberships. Social capital theory therefore provides appropriate, more integrative theoretical underpinnings, through which researchers can identify, examine, understand, explain and predict issues that influence the performances and strategies of MSEs.

Several studies indicate that the relationship between entrepreneurial behavior and firm performance is moderated by social institutional conditions (Covin & Slevin, 1991). Social capital is derived from social institutions where the entrepreneur exerts control over the available set of means. Direct control of all required resources is not essential for entrepreneurship since entrepreneurs can leverage relationships to provide the resources they need to pursue opportunities (Coleman, 1990; Lundstrom & Stevenson, 2006). When starting a venture entrepreneurs begin with the “means” of knowing who they are, what they know, whom they know, the knowledge cooridor they are in and the social networks they are part of (Sarasvathy, 2001). Two types of social capital differentiated are the bonding/ strong tie concerning cohesion within small groups and bridging/ weak –tie social capital among members of diverse groups (Rwigema, 2008).

Majority of livestock producers are pastoralists and pastoralism is their way of coping with life. They are ever attached to their animals and during the rains rarely sell them even though their prices are at their peak because “their hands cannot touch them”. This affects the supply chain of the livestock trading SMEs. Entrepreneurs are often engaged in creating new connections to increase the size of their networks, repurposing or reshaping existing relations, continuously engineering sociability through the process of relationship building; initiation, cultivation and transformation. This social capital seeking behavior has been called network bricolage, “creative social reinvention” (Fisher, 2012:8).

Economic Institutions

Economic institutions are actual organizations, laws, practices and general social values that shape business operations in a country (Stokes & Wilson, 2006). “The term institution refers broadly to the formal rule sets ex ante agreements, less formal shared interaction sequences and taken for granted assumptions that organizations and individuals are expected to follow” (North, 1990:130). These are derived from rules such as regulatory structures, government agencies, laws, courts, trade practices and other societal and cultural issues that exert conformance pressures (Scott, 2007). Institutional theory provides a theoretical framework through which researchers can identify, analyze conceptualize and examine broader contextual issues surrounding and enabling or constraining the success or otherwise the dreams of entrepreneurs.

The four categories of economic institutional forces that mainly affect the performance of entrepreneurs are the regulative pillar, the normative pillar, representing individual behaviors based on obligatory dimension of social interaction, cognitive pillar which may operate at the individual level in terms of culture and language and finally the infrastructural pillar in terms of public and private outlays incentives (North, 1990). Institutional picture gives researchers a broad, integrative organizational perspective and image of the context in which other and more specific socio- cultural process occur (Salimath & Cullen, 2010).

The heart of entrepreneurship lies in economic theory, it lies in the ability of an entrepreneur creating resources and directing their distribution among competing alternatives in order to satisfy human wants. This is an economic function (Casson, 2003). This function, like any work activity, is practiced in a network of formal, organization and informal relationships. Institutions are the rules of the game whereas organizations are the players (North, 1990). Apart from entrepreneurial resources, institutional theory plays greatest role in explaining business performance as they both constraint or enable business success (Bruton et al 2010). Personal characteristics, personal environment, personal goals, business environment, which are all dimensions of entrepreneurial motivation are embedded in institutional theory (Kuratko & Hodgets, 2007). Entrepreneurial behavior is best understood as an interaction between the individual and the context, the situation. Instead it is deeply embedded in a cultural and social context often amid a web of human networks that are both social and economic (Reynolds, 1992).

The variations in the performance of MSEs can mostly be explained by three independent variables: one, activities embedded in economic institutions, two in social institutions, and most important, entrepreneurial behavior of the individuals or their firms (Gedajloviv et al 2013; Kirby, 2003) Enabling macro and micro institutional policies provide what is known as “hard and soft” support (Kirby, 2003). Hard support takes the form of finance and physical infrastructure. Soft support takes the form of intangibles such as training and regulations. These supportive systems increase entrepreneurial performance by providing instrumental help such as financial and human capital, favorable from suppliers at competitive prices, inter-firm relations and “hard” infrastructure among others. Good policies and actions are designed and delivered to address the areas of motivation, opportunity and skills.

Firm Performance

Performances measures the ventures effective and efficient utilization of resources in a given time of the entrepreneurial activities of an individual or firm (Dyer et al., 2009). Resource based view of the firm argues that firms should be understood, first as an administrative framework that link and coordinates activities of numerous individuals and groups, and second, as a bundle of productive resources, that have the characteristics of value, rarity imitability and the question of the organization (Penrose, 1959).

A firm’s performance is generally acknowledged to have two primary dimensions: growth and profitability. A business could measure its performance using financial and non- financial measures.

The financial measures includes net worth, net profit before tax sales volume and growth returns on investments, while the non- financial performance measurement factors focus on productivity, employment size, labour turnover, safety, entrepreneur's satisfactions, customer loyalty and durability of business. Business performance could also be measured as the ability to grow or survive.

Many researchers argue growth as the most appropriate performance measures in MSEs (Edmunds, 1984). The Growth Approach of MSEs performance directs the owners/ managers to focus their attentions on the financial measures against the predetermined goals and time, effectiveness and efficiency. These measures include profit, revenues, returns on investment (ROI) returns on sales and returns on equity. There are, however, difficulties in applying some of these quantitative measurements to MSEs. Traders most of them, do not keep good records. Some are even not literate. Some of the data is also private to the entrepreneurs.

Micro and Small Livestock Enterprises in North Eastern Kenya

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 comes from livestock. Livestock's contribution to overall GDP ranges between 10 to 20 percent. The importance of the livestock economy in the IGAD countries in general and Kenya in particular can partly be explained by 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, leaving livestock production as the only viable form of non- capital intensive land use (Knips 2004).

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 emotional, social attachments to these treasured livestock. Pastoralists, who are normally the owners and suppliers for trade of camels, cattle, goats and sheep consider the first two livestock species, camels and cattle as capital asset and the later two, goats and sheep "small exchange" current liquid assets. The most prized livestock is the camel with an average price of Kshs 84,000 (\$1,000) per head followed by the cattle ranging from Kshs 20,000- 50,000 at Garissa livestock market. The North Eastern Kenya region consists of the three counties of Garissa, Wajir and Mandera.

Mandera borders Ethiopia and Somaia 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 US\$ 100 to US\$ 5,000 Small size from \$5,000 to \$30,000 and medium size traders invest up to \$100,000 (GoK Garissa County Development Plan, 2010). Cash income from livestock business is derived from the two streams of domestic sector and exports by larger firms. Among exports of livestock products, skins and hides have the largest share of exports followed by live exports to the Gulf nations in the Middle East (GoK Livestock Strategic Plan, 2010). The three counties of Garissa, Wajir and Mandera together have the highest population of camels, 1.7 million, representing 57.3% of the national population of 3 million and 2.7 million indigenous cattle representing 19% of the total national population.(GoK 2010).

Literature Review

Bricolage and Effectuation Theories of Entrepreneurship

As the interest of scholars in entrepreneurships research intensified, so a number of new theoretical perspectives have emerged referred to as emerging theories perspectives to explain the actions and rationale that underlie entrepreneurial behavior (Fisher, 2012). These perspectives are: causation, effectuation and bricolage. Under causation model, the entrepreneur decides on a pre- determined goal, then selects between means to achieve the goals. This involves a deliberate plan and assumes stable, predictable and unambiguous environment with enough information (Sarasvathy, 2001).

Effectuation dictates that under conditions of uncertainty entrepreneurs adopt a decision logic that is different from the traditional, causation approach. Instead of focusing on goals, entrepreneurs pay attention on the means, the things over which the entrepreneur has control; personal knowledge, skills and social networks and firm level resources (Sarasvathy, 2001).

The other entrepreneurship theory is entrepreneurial bricolage (Baker & Nelson, 2005). The term behavior “bricolage” can be defined as “making do by applying combinations of resources at hand to new problems and opportunities” (Baker & Nelson, 2005:33). Baker and Nelson argued that when entrepreneurs are faced with environment in which resources are scarce, that present fresh challenges. Under such situations, firms have three options; one to seek resources from domains external to the firm; two to avoid new challenges; three to enact bricolage by making do by applying combinations of resources at hand to new problems and opportunities. Entrepreneurial behavior theories, using research lenses of effectuation and bricolage perspectives are suitable theories for explaining performance of MSEs in North Eastern Kenya.

Entrepreneurship Behaviour Theory

The goal of entrepreneurial behavior theory is to identify the specific variables that describe how each new venture can be created and sustained in order that meaningful comparisons can be made among successful and not successful businesses. It is perhaps self-evident to state that no business opportunity is exploited nor does any venture come to exist, survive or grow without entrepreneurs taking action. Motivation, cognitive and economic sociological theories help a better understanding of entrepreneurial behavior.

Measures for firm-level behavior variables would include legitimacy seeking activities- right to exist in the market place, collaborative behaviours resource seeking activities, tolerance for failure long hours of work and exercise of the so called “asset parsimonious path to profit” (Covin & Slevin, 1991; Stokes & Wilson, 2006). Parsimonious path to profit principle states “never buy new what can be bought second hand, never buy what can be rented, never rent what can be borrowed, never borrow what can be begged, never beg what can be salvaged” (Stokes & Wilson 2006:209). These echo the core principles of Effectual Logic. The Bird in Hand Principle; bootstrapping and start with what one has. It is also consistent with the affordable loss principle: Risk little, fail cheap and Hedge principle from partnerships.

A person’s entrepreneurial behavior is not only a function of the personal and family environment but also the characteristics and the human capital of the entrepreneur; personality, experience, skills and education. An entrepreneurial behavior is distinct from business performance. An entrepreneur can be behaving optimally but his or her business performs poorly because of unforeseen events or institutional events outside the control of the entrepreneur (Zahra & Wright, 2011). Firm level behavior is a predictor of the key entrepreneurial effectiveness criterion of firm performance (Covin & Slevin, 1991). The advantages of firm level behavior include: measures an entrepreneur’s effectiveness and a firm’s performance is a function of both organizational level and individual level behavior. For SMEs the firm behavior and the behavior of the entrepreneur are more or less synonymous.

Resource Based Theory

Resource based theory of firm performance is an increasingly utilized theoretical foundation for entrepreneurship research and firm strategy. Resource based view (RBV) is the ability of firms to attract key resources and use such resources both personnel and material resources in flexible combinations (Barney, 1991). The approach to venture creation process is based on four interactions of contingencies (Wickham, 2006). The four contingencies in the venture creation process are the entrepreneur, a market opportunity, a business firm and resources to be invested (Barney, 1991). RBV therefore argues that firms can be thought of as bundles of productive resources and those different firms possess different bundles of these resources. This is the assumption of resources heterogeneity. There is also the assumption of resource immobility which assumes that some of a firm’s resources are either very costly to copy or inelastic in supply.

In general, firm resources are tangible, intangible and firm capabilities that are controlled by the business organization and that enable the firm to conceive of and implement plans designed to improve its efficiency, effectiveness and therefore performance (Barney, 1991). Tangible resources are the easiest to value and usually are captured in the firm’s records. Intangible assets include such things as firm’s reputation, culture, trademarks, accumulated learning and experience. Firm capabilities are not factor inputs like tangible and intangible assets; they are complex combinations of assets, people and process that firms use to transform inputs into outputs. The premise of the RBV is that firms differ in fundamental ways because each firm possesses a unique bundle of tangible and some intangible assets and organizational capabilities (Penrose, 1959).

In other studies, it has been argued that resources are the heart of entrepreneurship and firm performance (Kirby, 2003). In addition to developing and acquiring resources that underpin firm performance a prime responsibility of a successful entrepreneur is to develop a resource based firm strategy.

This involves identifying, acquiring, upgrading and leveraging a set of valuable resources. From this perspective, RBV complements and fits well with entrepreneurial behavior, social and economic institutional theories.

Institutions and Entrepreneurship

Most of the past studies on entrepreneurship examined the attributes of individuals, social capital networks in which those entrepreneurs are embedded, the resources they accumulate and the business opportunities that are available in the competitive environment (Kirby, 2003). More recently researchers have paid attention to the political, economic social legal, international and ecological and demographics (PESTLIED) conditions that support entrepreneur behavior and the wider ecosystems that limit or reinforce risk-taking, aggressive, motivational behavior. Institutions are what North (1990) defined as the formally humanely- devised constraints that structure human interactions. However organizations are the groups of people bound by a common purpose to achieve objections. There is no denying that society's institutions affect the way businesses are organized and operated (Covin & Slevin, 1991) Institutions come in different forms and shapes.

Generally institutions can be grouped into two social and economic (Mc Cormick & Kimuyu, 2007). Social institutions are informal ties and relational governance that fill in the "institutional voids resulting from an inadequate formal institutional infrastructure and draw on culture" (Bruton, Ahlstron & Li, 2010). Economic institutions are mainly the formal organizations, laws and regulations that impact on the operations and resources mobilization capacities of firms. Because of the importance of institutions to business performance, the concept of institutional entrepreneurship has emerged to help answer the question of how new firms arise and are changed (Kirby, 2003). Thus, institutional entrepreneurship represents the activities of actors who have an interest encouraging particular institutional arrangements for favourable business competitive outcomes.

Entrepreneurial Behaviour and Firm Performance

The earlier studies such as those of Delmar (1996) and Covin & Slevin (1991) have contended that entrepreneurial behavior has a positive effect on firm performance. However, other studies have also demonstrated that under certain institution environment entrepreneurial behavior hardly influences firm performance (Dyer, Gregersen & Christensen, 2009). Entrepreneurial behaviours are controllable, concrete and observable actions by individuals or teams to achieve business objectives. Such activities or tasks include getting facilities, skills and networks, entering a market forming a legal entity, hiring employees, leveraging resources and being alert to opportunities (Reynold, 1992). "The basic argument is that an understanding of entrepreneurial behavior is better understood by examination of behavior that are under the control of the entrepreneur" (Casson, 2003:20). After all entrepreneurship is a process of "emergence and emerging ventures are characterized by equivocal realities that the speech, actions and other behaviours of entrepreneurs render unequivocal" (Mueller et al ., 2012).

The common dimensions of entrepreneurial behavior are opportunity identification, being proactive, capital leveraging, risk taking, personal values, decision making, competitive aggressiveness and establishing new start-ups. Performance is a multi- dimensional. A number of empirical studies have demonstrated that dimensions of entrepreneurial behavior such as proactiveness, creativity, personal values, flexibility, self drive and competitive aggressiveness are not yet able to positively enhance firm performance (Reynolds, 1992; Birch, 1997). Entrepreneurial behavior therefore still requires contingency conceptual framework for the necessary positive performance outcomes. This study therefore, makes the proposition that entrepreneurial behavior has positive influence on performance of micro and small livestock enterprises in North Eastern Kenya.

Entrepreneurial Behaviour, Social Institutions and Firm Performance

A number of studies have examined the effects of social institutions on entrepreneurial behavior and business performance. Nature of relationships or networks, typically explain performance, not mere intervening resources. Social institutions moderate the relationship between entrepreneurial behavior and firm performance (Batjargal, 2000, Fisher, 2012). Empirical studies suggest that relations between social capital and business performance are relatively straight forward. The main finding of Batjargal, (2000) is that relational and resources embeddedness have direct positive effect on firm performance. However, social capital could also become "Double edged sword" (Khayesi, 2010) and have negative cost implication for entrepreneurial and performance outcomes.

Social institutions are the close- knit relationship that exists among individuals and networks form which individual entrepreneurs are able to access tangible institutional resources and support (Rwigema, 2011).

Social capital is the ability to access resources through social institutions. Business performance is a function of resources. Firm resources include all assets, capabilities, firm attributes, information, knowledge and social capital (Barney 1991). However, direct control of all needed resources is not essential for successful entrepreneurship as an entrepreneur can ask their friends, families and communities to provide the resources they need to exploit business opportunities. The three dimensions of social institutions are relational (trust, norms) structural (ties) and cognitive (shared values) (Coleman, 1990; Gedajlovic et al 2013). Social capital heterogeneity of entrepreneurs leads to differentiated firm performance because of individuals position in the social space and how social relations favour purchase and sale decisions of entrepreneurs (Batjargal, 2000). This study therefore, makes the proposition that social institutions moderate the relationship between performance of micro and small livestock enterprises.

Entrepreneurial Behaviour, Economic Institutions and Firm Performance

The business literature generally holds the position that businesses are environmentally dependent. They derive their inputs from the environment and sell their output to the same this position is also held by the theory of resource dependence (Barney, 1991). Entrepreneurial behavior will benefit from favourable economic environment that is supportive of the efforts and the motivations of the entrepreneurship. The results of a number of past studies are not conclusive because of the heterogeneity of economic environment of businesses in different regions and countries (Covin & Slevin, 1991).

The economic institutions that provide the necessary incentives to moderate entrepreneurial behavior and business performance include the state, the markets, firms, laws and the micro- economy policies in general. Business performance is determined by the response of the economic institutions to the behaviour of the entrepreneur such as the market, the state and industry (Delmar, 1996). Therefore an entrepreneur can display high entrepreneurial behavior but the business performs poorly because of the effects or incentives of the social and economic institutions which are beyond the control of the entrepreneur. In Darfur, Sudan for instance, because of Government intervention both in providing security measures and access to capital outlays and other resources, many firms in livestock trade recovered from imminent failures in 2008-2010 (Buchana et al., 2012). This study therefore, makes the proposition that economic institutions moderate the relationship between performance of micro and small livestock enterprises.

Entrepreneurial Behaviour, Social and Economic Institutions and Firm Performance

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

In addition to personal capabilities in terms of knowledge and skills, entrepreneurs require resources. These resources include financial and non financial, physical, human capital and access to markets and information thus the integrative mutual high expectation view of entrepreneurship. Entrepreneurship has been endorsed by formal educational and vocational institutions, governmental departments, corporations and society (Hisrich, et al., 2009). Firm performance is generally positively related to entrepreneur behavior as well as social and economic institutional supports. However these arguments and findings from empirical studies suggests that opinions are divided on the combined role of social and economic institutions on firm performance together with entrepreneurial behavior as an independent variable. This study therefore, makes the proposition that the combined effect of entrepreneurial behavior, social and economic institutions on performance of MSEs is greater than the individual effects of each of these variables.

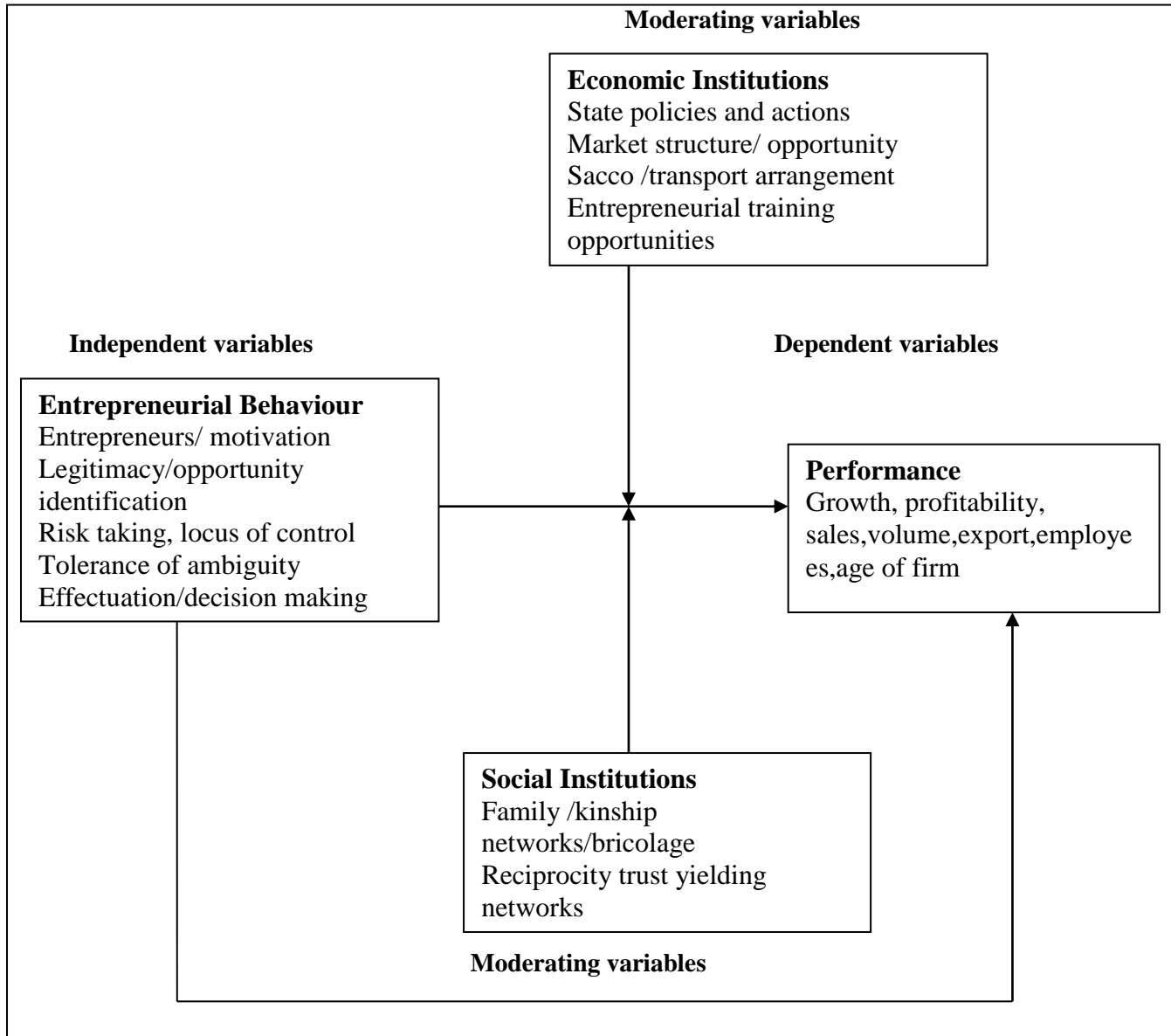
Summary of Empirical Studies and Knowledge Gaps

Study	Study focus/ main objective	Methodology	Findings	Knowledge gaps
Tura, I., Amboga, S, & Tuke, Guyo (2012)	Determining sheep and goats livestock marketing strategies/ performance in Marsabit County	Pilot survey	Found there was high illiteracy among traders, recurring drought, limited human capital and lack of credit constrained their businesses.	Geographical coverage limited to Isiolo County, didn't cover camels and cattle business in North Eastern region
Buchanan et al., (2012)	Livestock trade in Darfur, Sudan determining the impact of conflict on livestock trade in the Sudan	Survey of 350 MSEs in livestock trade in Darfur, Sudan	Found that livestock traders in Darfur, Sudan faced challenges of insecurity, high cost of trade, lack of capital, high taxation, reduced supply and ethnic homogeneity of livestock traders.	Study showed impact of insecurity on livestock business performance in the Sudan. But did not examine effects of entrepreneurial behavior, social and economic institutions on performance.
Mahmoud, H.A. (2010)	Inquiring into livestock trade behaviours in Kenya, Somalia Ethiopia Boarder form anthropological point of view	Survey primary data	Found that taxes, stringent regulations on livestock movements, permits, licences and livestock diseases make livestock trade "profitless prosperity".	This was one of the pioneering livestock business studies in the area. But did not examine firm behavior and performance relationships.
Khayesi, J. (2010)	Social capital and entrepreneurship determining the cost and resources accumulation benefits of social capital	Sample drawn from survey of MSEs in ICT in Kampala	Found there was direct relationship between structural social capital, resource accumulation and firm performance.	The study examined social capital accumulation and firm performance but did not inquire into the relationships between firm behavior social and economic institutions on Performance
Pavanello, S. (2010) Knipa (2004)	FAO/ILRI studies to establish general challenges facing livestock trading businesses in IGA and West African regions.	Survey primary data	Found that climatic environmental factors, governance and weak institutions leading to poor animal health provisions, insufficient marketing infrastructure as well as corruption and uncontrolled taxation, poor road networks and distance market.	The study was done with policy issues in focus and did not cover firm level behaviours as well as social and economic institutions and performance of livestock business.

Conceptual Framework

The conceptual framework for this study builds on the definition of entrepreneurship as a system that includes the entrepreneur and potential entrepreneurs, their behaviours, institutions and government actions, the desired outcome of which is increased levels of entrepreneurial activity and better ultimate firm performance leading to sustained achievement of entrepreneurs objectives.

Figure 2.1: Conceptual Model



Conclusion

Previous studies in entrepreneurship have either focused on the stable characteristics of the entrepreneur or the influence of institutions on firm performance (Mahmoud, 2010; Orero, 2008; Khayesi, 2010). The study of Tura and Amboga (2012) found that high illiteracy among traders, recurring drought, limited human capital and lack of credit constrained their businesses. The studies of Khayesi (2010), Orero, (2008) and Mahmoud, (2010) also found that there were direct relationships between social capital, resource accumulation and firm performance and that those institutional factors like taxes, movement permits and licences affected the MSEs performance. These studies have contextual and institutional gaps. They lack consensus on to what extent environmental conditions such as social and economic institutions moderate the relationship between entrepreneur behavior and firm performance.

Few of these past studies have actually tried to model and understand the impact of both entrepreneurial behavior and the institutional context on the performance of MSEs in the livestock sector in Kenya as this study does. Most of the studies used survey design as their methodology. Industry structure, social and economic institutional approaches share a feature in common. They do not focus on internal dynamics of the firm as performance determinant. This study proposes combination of entrepreneurial behavior, which represents the internal dynamics of the firm and the situation of the business social and institutional contexts to explain firm performance.

References

- Aldrich, Howard E. (2005). *Entrepreneurship* PP 451-477 in Handbook of Economic Sociology, 2nd Edition. N. Smelser and R. Swedbeg: eds Princeton, NJ: Princeton University Press.
- Ansoff, Igor (1980). *Corporate Strategy*. New York, Pelican Library of Business & Management.
- Baker, T. & Nelson, R.E. (2005). "Creating Something From Nothing" Resources Construction Through Entrepreneurship Bricolage. *Administrative Science Quarterly*, 50 (3), 329-366.
- Barney, J.B. (1991). *Gaining and Sustaining Competitive Advantage*. New York, Pearson Prentice Hall.
- Batjargal, B. (2000). "Social Capital and Entrepreneurial performance in Russia: A Panel Study". Russian Studies Centre, Harvard University.
- Birch, D. (1997). *Job Creation in America*. New York, Kluwer Academic Publishers.
- Bruton, G.D. Ahlstron, D & Li H. (2010). "Institutional Theory and Entrepreneurship: Where are we Now and Where Do We Need to Move in the Future". *Journal of Entrepreneurship Theory and Practice*.
- Casson, M. (2003). *The Entrepreneur. An Economic Theory*. 2nd edition. London Edward Elgar.
- Coleman, J.S. (1990). *Foundation of Social Theory*. Cambridge Massachusetts, MA: The Belknap Press of Harvard University Press.
- Covin J.G. & Slevin D.P. (1991). "A Conceptual Model of Entrepreneurship as Firm Behaviour" *Journal of Entrepreneurship Theory and Practice*.
- Delmar, F. (1996). "Entrepreneurial Behaviour and Firm Performance." (Unpublished PhD Thesis) of the Stockholm School of Economics, EFI, the Economic Research Institute.
- Dyer, J.H., Gregersen, H.B. & Christensen, C. (2009). "Entrepreneur Behaviors, Opportunity Recognition and the Origins of Innovative Ventures." *Strategic Management Journal*: 2:317-338.
- Edmunds, S.W. (1984). *Performance Measure of Small Business*. Harvard Business Review Executive Book Series.
- Fisher, G. (2012). "Effectuation, Causation and Bricolage. A Behaviourial Comparison of Emerging Theories of Entrepreneurship Research" *Journal of Entrepreneurship Theory and Practice*.
- Gedajlovic, E., Honig, B., Moore, C.B., Payne, G.T. & Wright, M (2013). "Social Capital and Entrepreneurship: A Schema and Research Agenda." *Journal of Entrepreneurship Theory & Practice*. 2013 Baylor University.
- Government of Kenya (2008). Kenya Vision 2030. A Globally Competitive and Prosperous Kenya; First Term Plan, (2008 -2012). Nairobi: Government Press.
- Government of Kenya (2010). Garissa District Development Plan. (2009-2013) Nairobi:Government Press.
- Government of Kenya (2010). *Ministry of Livestock Census report of Strategic Plan* (2010-2014). Nairobi: Government Press.
- Khayesi, J. (2010). "The Double Edged Sword of Socio Capital: Three Essays on Entrepreneurship in Developing Nations". (Unpublished PhD Thesis), Lausanne: University of Lausanne.
- Kirby, D.A. (2003). *Entrepreneurship*. London: The McGraw Hill.
- Knips, V. (2004). "Review of the Livestock Sector in the Horn of Africa (IGAD Countries)". FAO online database visited on 18th Feb, 2012.
- Kuratko, D.F. & Hodgetts R.M. (2007). *Entrepreneurship*. New York: Prentice Hall International.
- Lundstrom, A & Stevenson L.A. (2006). *Entrepreneurship Policy: Theory and Practice*. New York: Kluwer Academic Publishers.
- Malmoud, H.A. (2010). "Livestock Trade in Kenya, Somali and Ethiopian Borderlands". London: Chatham House.

- McCormick, D & Kimuyu, P. (2007). Business Systems Theory: An African Perspective. In Mc Cormick, D, Alila, P.O. & Omosa, M. (eds). Business In Kenya: Institutions and Interactions (PP 11-37). University of Nairobi Press.
- Mueller, S., Volery, T & Siemen, B.V. (2012). “ What do Entrepreneurs Actually Do? An Observational Study of Entrepreneurs Everyday Behaviour in the Start-up and Growth Stages”. Journal of Entrepreneurship Theory and Practice.
- North, D.C. (1990). Institutions, Institutional Change and Economic Performance. New York: Cambridge University Press.
- Parker, S.C. (2004). The Economics of Self- employment and Entrepreneurship. Cambridge University Press.
- Reynolds, P.D. (1992). “Sociology and entrepreneurship: Concepts and Contributions. Entrepreneurship Theory and Practice.” 16 (2) 47-70.
- Rwigema, V.U. (2011). Entrepreneurship: Theory and Practice. 2nd edition Johannesburg: Oxford University Press.
- Saliath, M.S., & Cullen, J.B. (2010). “ Formal and Informal Institutional effect on Entrepreneurship : a synthesis of national- level research”. International Journal of Organizational Analysis. Vol 18 No. 3,2010 pp 358-385.
- Sarasvathy, S. (2001). “ Causation and Effectuation: Toward a Theoretical shift form Economic Inevitability to Entrepreneurial Contingency” The Academic of Management review, vol 26 No. 2,243 -263.
- Schumpeter. J. (1934). The Theory of Economy of Development, Cambridge Mass: Harvard University Press.
- Scott, W.R. (2007). Institutions and Organizations: Ideas and Interests. New York: Thousand Oaks, C.A: Sage Publications.
- Stokes, D & Wilson, N. (2006). *Small Business Management & Entrepreneurship* 5th edition. London. Thomson Learning Centre.
- Wiklund, J. & Shepherd D. (2003). “Aspiring for and Achieving Growth. The Moderating Role of Resources and Opportunities.” Journal of Management Studies 408 (2003), PP 191- 194.
- Zahra, S.A& Wright, M. (2011). “ *Entrepreneurship Next Act*” *Academy of Management Perspectives Journal* 25 (4), 67-83.