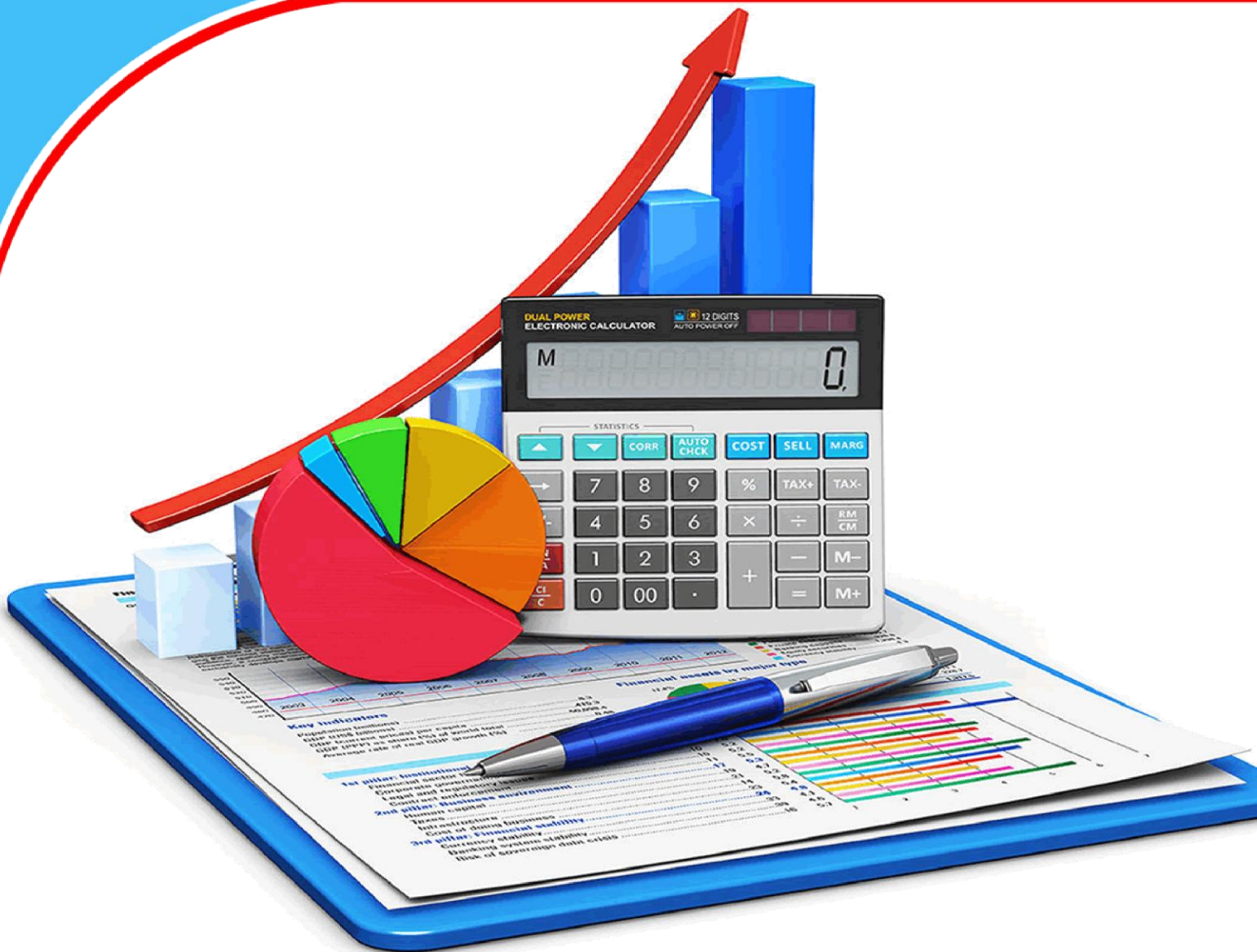


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EFFECT OF ENTREPRENEURIAL CULTURE ON THE PERFORMANCE OF SOCIAL ENTREPRENEURSHIP FIRMS IN KENYA

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ABSTRACT

Purpose: The purpose of the study was to determine the effect of entrepreneurial culture on the performance of social entrepreneurship firms in Kenya.

Methodology: The study adopted a descriptive research design. The total population was 448 employees of Iko toilet and Care Kenya. The sample size was 79 employees of Iko toilet and CARE Kenya who were selected using stratified random sampling. This sample was selected using R software. The raw data obtained from the field was coded, scrutinized, organized and edited to enhance accuracy and hasten analysis by the help of Statistical Package for Social Sciences (SPSS). SPSS assisted in summarizing the data descriptively using frequencies, percentages, means and standard deviation. In order to test the relationship

between the dependent and independent variables, inferential statistics that is spearman's rank correlation r and regression analysis was used.

Results: The study found that entrepreneurial culture have a positive and significant relationship with performance of social entrepreneurship firms.

Unique contribution to theory, practice and policy: The study also recommends that social entrepreneurship firms should have proper and well laid marketing principles so as to improve their performance. The firms should also ensure that they provide quality services. This can be done by encouraging innovations.

Key words: *social entrepreneurship, entrepreneurial culture, performance*

1.0 INTRODUCTION

1.1 Background of the Study

According to Alvord, Brown and Letts (2004), social entrepreneurship creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations. Said Business School (2005) define it as a professional, innovative, and sustainable approach to systemic change that resolves social market failures and grasps opportunities. Mort, Weerawardena and Carnegie (2002) on the other hand perceive SE as a multidimensional construct involving the expression of entrepreneurially virtuous behavior to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognize social value-creating opportunities and key decisionmaking characteristics of innovativeness, pro activeness and risk-taking.

Social entrepreneurs are increasingly acknowledged for addressing the social, ecological and economic problems of our time (Zahra, Gedajlovic, Neubaum & Shulman, 2009). Every year social entrepreneurs mingle with the CEOs of the world's largest corporations and prominent politicians at the World Economic Forum in Davos (Rubio, Aragon & Esteban, 2011). Finally, social entrepreneurs' ventures are the favorite's investment of philanthropists and they have the stars at global events like the Clinton Global Initiative. More than 2% of the adult active population in USA, United Kingdom or Finland is involved in a social venture (Harding, 2006). Socially, conscious individuals fulfill a vital role within society because they offer solutions to complex and persistent social problems that are overlooked, ignored or unsuccessfully addressed by governments, incumbent businesses or civil society organizations (Nicholls, 2006; Nyssens, 2006; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). However, there is a lack of understanding of these types of entrepreneurs. For instance, the way in which they recognize and exploits opportunities for the creation of social value is not fully understood (Doyle Corner & Ho, 2010; Mair & Martí, 2006). This is a gap that the current study seeks to address by evaluating the determinants of performance of social entrepreneurship firms in Kenya.

Social companies share the pursuit of revenue generation with commercial firms but they also seek to achieve social goals such as positive human/social impact, and positive environmental impact ((Di Domenico, Haugh & Tracey, 2010). Closely related to this, are the motivations of the entrepreneurs. Social and commercial entrepreneurs have different intentions when they decide to create a business because social entrepreneurs seek to increased social capital and enhance community cohesion (Mair & Noboa, 2006). They also have different barriers of entry (Robinson, 2006) and different access to resources; social entrepreneurs are more closely associated with communities characterized by limited access to resources (Di Domenico *et al*, 2010; (Austin, Stevenson & Wei-Skillern, 2006). Finally, the extant social entrepreneurship academic research has primarily utilized case studies or anecdotal evidence as a means to describe rather than analyze the phenomena of social entrepreneurship (Meyskens *et al*, 2010).

The survival and growth of social enterprises is complicated by the combination of economic and social value creation that is widely considered to be a fundamental distinguishing factor between social entrepreneurship and commercial entrepreneurship (Dorado, 2006; Mair & Martí, 2006). Although commercial entrepreneurs also contribute to social value, it is the intention and relative

importance of social value creation as opposed to economic value creation that defines social entrepreneurship (Moizer & Tracey, 2010; Zahra *et al.*, 2009). However, there is little research into the factors that influence the survival and growth of social ventures. Moizer and Tracey (2010) consider the sustainability of social enterprises as a balance between resource utilization (to build and maintain competitive advantage) and engagement with local stakeholders (to build and maintain organizational legitimacy). Organizational sustainability is threatened if cash reserves are depleted, if the community need disappears or if engagement with local stakeholders is lacking. In comparison to commercial entrepreneurs, social entrepreneurs are thought to face specific challenges while setting up their businesses, especially regarding financial and human resource mobilization (DiDomenico, Haugh & Tracey, 2010; Peredo & McLean, 2006). These challenges are caused by constraints in the exploitation of their entrepreneurial initiatives. Hence, it is predicted that social entrepreneurship is an early-stage phenomenon. In other words, it is expected that social entrepreneurs would not perform as well as commercial entrepreneurs in terms of surviving the early stages of setting up and running a business (Hoogendoorn *et al.*, 2011).

1.2 Problem Statement

Even though social entrepreneurs have increasingly been acknowledged for addressing the social, ecological and economic problems of our time (Zahra *et al.*, 2009), there is a lack of understanding of this type of entrepreneurs and the issues affecting their activities. For instance, the way in which these entrepreneurs recognizes and exploits opportunities for the creation of social value is not fully understood (Doyle Corner & Ho, 2010; Mair & Martí, 2006). Compared to commercial entrepreneurs, social entrepreneurs are thought to face specific challenges while setting up their businesses, especially regarding financial and human resource mobilization. Their survival and growth is complicated by the combination of economic and social value creation that is widely considered to be a fundamental distinguishing factor between social entrepreneurship and commercial entrepreneurship (Dorado, 2006; Mair & Martí, 2006; Moizer & Tracey, 2010; Zahra *et al.*, 2009).

Social enterprises face special constraints linked to their hybrid business model: access to finance, human resources, legal status, difficult markets, and management weakness (Smith & Darko, 2014). Based on a case study analysis by Dobebe (2012), in most cases there is no existence of legal regulation on social entrepreneurship, there is lack of support instruments particularly for establishing and developing a social enterprise, and dependence on donations and subsidies for self-sustaining a social enterprise which constraints their performance. According to Alvord *et al.*, (2004), the nature of innovation, characteristics of leadership, organizational and institutional features significantly affect the performance of these enterprises.

1.3 Research Objectives

The overall objective of this study was to determine the effect of entrepreneurial culture on the performance of social entrepreneurship firms in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 Social Entrepreneurship Theory

In line with the final stage of the concept indicator model of theory development (Glaser, 1978), a theoretical model of social entrepreneurship is proposed. Specifically, a process model of social entrepreneurship is developed from the three propositions. This model highlights the circularity of the process, from the initial motive of embarking in social entrepreneurship, to its course of action, and finally to the resultant outcome which generates more social entrepreneurial motives. The motivation for social entrepreneurship is derived from the social entrepreneur's recognition of existing social gaps. This motivation drives the social entrepreneur towards innovative action, specifically, creating opportunities to address those social gaps. The act of social entrepreneurship results in higher levels of social awareness and empowerment within the community. These positive results of social entrepreneurship generates a virtuous cycle of more socially aware individuals recognizing other unmet social needs and feeling motivated to address these social gaps (Teo & Tan, 2013). This theory is deemed relevant to this study since it informed the dependent variable which was performance of social entrepreneurship firms.

2.2 Empirical Review

Khalid (2015) conducted a study on entrepreneurial behavior, social and economic institutions and performance of micro and small livestock enterprises in north eastern region, Kenya. The study was based on the interviews of the owners of 191 MSEs out of a population of 305 firms, resulting in a response rate of 63 percent. The study was set within the context of rural environment with highly constrained access to financial, human resources and social capital and comparatively with weak socio-economic institutional framework. The main findings of this study were that a number of aspects of entrepreneurial behavior dimensions directly and positively affected performance of the MSEs. It was noted that some of these aspects also have negative effects while others have weak relationship with firm performance. The study specifically found that business interests, achievement need or motivation contributed significantly to performance of MSEs.

In addition the study found that business growth motivation is explained by previous growth, asset size, motivation, attitudes, opportunity recognition and institutional business climate. However, the study found that overall entrepreneurial behavior has moderate positive effects on performance. Similarly, social and economic institutions have on the average strong positive effects on the relationship between entrepreneurial behavior and performance of the MSEs. Further, the study found that the combined effects of entrepreneurial behavior, social and economic institutions are greater than their individual effects, $R^2=78.9\%$. The study experienced limitations regarding the wide geographical scope of the region, security challenges during the data collection stage and obtaining the cooperation of the owners of the MSEs. However, these constraints were managed. The current study sought to establish whether a similar scenario can be said about social entrepreneurship enterprises in Kenya.

According to Deshpande and Farley (1999) high levels of risk taking, dynamism, and creativity characterize an entrepreneurial culture. There is a commitment to experimentation, innovation, and

being on the leading edge. This culture doesn't just quickly react to changes in the environment, it creates change. Effectiveness means providing new and unique products and rapid growth. Individual initiative, flexibility, and freedom foster growth and are encouraged and well rewarded. Deshpande and Farley (1999) state that in the entrepreneurial culture, the emphasis was on innovation, risk taking, high level of dynamism, and creativity.

Al-Swidi and Al-Hosam (2012) conducted a study on the effect of entrepreneurial orientation on the organizational performance. The partial least squares (PLS) approach to examine the effect of entrepreneurial orientation on the organizational performance of the Islamic banks in Yemen was used. The study target the bank managers in yemen to whom questionnaires were administered. The response rate was 78.6%. Before examining the effect of entrepreneurial orientation (EO) on the organizational performance of Islamic banks, the validity and reliability of the measurement, outer, model was investigated and confirmed in line with the standardized reporting style of PLS structural equation modeling. The results of the study were confirmed in line with the premises of the resource based view of the firm theory that looks at the organizational capabilities as a source of the competitive advantage.

Ashitava (2010) conducted a study on the effects of practicing corporate entrepreneurship and performance of mobile phones service providers in Kenya. The study aimed at determining the effects if any of corporate entrepreneurship on mobile phone service providers in Kenya. Corporate entrepreneurship concerns the process whereby an individual or a group of individuals in the context of an existing firm, create innovative resource combinations. The study sought to determine whether the mobile phone service providers practice corporate entrepreneurship and then determine the effects on the company performance. The study used a cross-sectional survey where four companies under the population were analyzed. The performance of the companies was measured by profits and returns on investments in the periods when corporate entrepreneurship was practiced. The study revealed that corporate entrepreneurship practice cannot be ignored by mobile phone service operators in Kenya. The mobile phone service operators have various elements that amount to corporate entrepreneurship and they include new product venturing, research and development efforts, market diversification and even business strategies. The study concluded that corporate entrepreneurship brings about more revenue and thereby better performance to these firms. The study recommends the adoption of more formal corporate entrepreneurship practices through top management support and more budget allocation for the full realization of the benefits of corporate entrepreneurship. It is also clear that though the studies reviewed provide a good ground for the current study but it shows there is a gap that needs to be filled on the determinants of performance of social enterprises in Kenya, hence the need for current study.

3.0 RESEARCH METHODOLOGY

The study adopted a descriptive research design. The total population was 448 employees of Iko toilet and Care Kenya. The sample size was 79 employees of Iko toilet and CARE Kenya who were selected using stratified random sampling. This sample was selected using R software. The raw data obtained from the field was coded, scrutinized, organized and edited to enhance accuracy and hasten analysis by the help of Statistical Package for Social Sciences (SPSS). SPSS assisted

in summarizing the data descriptively using frequencies, percentages, means and standard deviation. In order to test the relationship between the dependent and independent variables, inferential statistics that is spearman's rank correlation r and regression analysis was used.

4.0 ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Demographic Characteristics

The respondents were asked to indicate their gender. Majority of the respondents who were 65% indicated that they were men while only 35% indicated that they were female. The study found that they were less than 30 years, 29% indicated that they were between 31 – 40 years, 12% indicated that they were between 41 – 50 years while only 10% were above 50 years. The results also showed that majority of the respondents who were 50% were single, 29% were married while only 21% were divorced. The respondents were further asked to indicate their level of education. The results also revealed that majority of the respondents who were 50% indicated that their highest level of education was secondary level, 32.4% indicated primary, and 14.7% indicated college while only 2.9% indicated university. The respondents were further asked to indicate the duration of time they have worked in the firm. The results also revealed that majority of the respondents who were 53% had worked in the firm for 2 to 5 years, 29% had worked in the firm for 6 – 10 years, 12% had worked in the firm for more than 10 years while only 6% had worked in the firm for less than one year.

4.2 Descriptive Statistics

4.1.1 Entrepreneurial Culture

The objective of the study was to determine the effect of entrepreneurial culture on the performance of social entrepreneurship firms in Kenya. The results in table 1 revealed that majority of the respondents who were 53.00% (47.10% + 5.9%) agreed with the statement that business growth motivation is explained by previous growth, asset size, motivation, attitudes, opportunity recognition and institutional business climate. The results further showed that majority of the respondents who were 80.9% agreed with the statement that their firm provides quality services. The results further showed that majority of the respondents who were 82.4% agreed with the statement that proper & well laid marketing principles influence performance of the enterprise. The results further showed that majority of the respondents who were 67.7% agreed with the statement that entrepreneurs' experience has a significant role in the future of the business. The results further showed that majority of the respondents who were 77.7% agreed with the statement that their firm encourages innovations to enhance quality.

On a five point scale, the average mean of the responses was 3.77 which means that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 0.92.

Table 1: Entrepreneurial Culture

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev
Business growth motivation is explained by previous growth, asset size, motivation, attitudes, opportunity recognition and institutional business climate	4.40%	7.40%	35.30%	47.10%	5.90%	3.43	0.89
My firm provides quality services	4.40%	2.90%	11.80%	60.30%	20.60%	3.90	0.92
Proper & well laid marketing principles influence performance of the enterprise	1.50%	4.40%	11.80%	60.30%	22.10%	3.97	0.81
Entrepreneurs' experience has a significant role in the future of the business	1.50%	16.20%	14.70%	51.50%	16.20%	3.65	0.99
The firm encourages innovations to enhance quality	0.00%	14.70%	7.40%	50.00%	27.90%	3.91	0.97
Total						3.77	0.92

4.2 Inferential Statistics

4.2.1 Correlation Analysis

Table 2 below presents the results of the correlation analysis. The table indicated that entrepreneurial culture and performance are positively and significantly related ($r=0.521$, $p=0.000$). These findings agree with that of Khalid (2015) who found that business interests, achievement need or motivation contributed significantly to performance of MSEs.

Table 2: Correlational Analysis

Correlations	Performance	Entrepreneurial Culture
Performance	Pearson Correlation 1.00	
	Sig. (2-tailed)	
Entrepreneurial Culture	Pearson Correlation .521**	1.000

Sig. (2-tailed) **0.000**

4.2.2 Regression Analysis

The results in table 3 presented the fitness of model of regression model used in explaining the study phenomena. Entrepreneurial culture was found to be satisfactory variables in performance of social entrepreneurship firms. This was supported by coefficient of determination also known as the R square of 56.0%. This meant that entrepreneurial culture explain 56.0% of the variations in the dependent variable which was performance of social entrepreneurship firms. The results further meant that the model applied to link the relationship of the variables was satisfactory. **Table 3: Model Fitness**

Indicator	Coefficient
R	0.748
R Square	0.56
Adjusted R Square	0.532
Std. Error of the Estimate	0.343658

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 4 provided the results on the analysis of the variance (ANOVA). The results indicated that the overall model was statistically significant. Further, the results implied that the independent variable was good predictors of financial performance. This was supported by an F statistic of 20.022 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Table 4: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	9.458	4	2.365	20.022	0.000
Residual	7.44	63	0.118		
Total	16.899	67			

The table indicates that entrepreneurial culture and performance are positively and significant related ($r=0.275$, $p=0.012$). These findings agree with that of Khalid (2015) who found that business interests, achievement need or motivation contributed significantly to performance of MSEs.

Table 5: Regression of Coefficients

	B	Std. Error	t	Sig.
(Constant)	-0.539	0.501	-1.077	0.286
Financial access	0.249	0.108	2.296	0.025

Entrepreneurial Culture	0.275	0.106	2.600	0.012
Management	0.314	0.102	3.079	0.003
Technology	0.306	0.101	3.026	0.004

Thus, the optimal model for the study is;

$$\text{Performance of social entrepreneurship firms} = 0-0.539 + 0.275 \text{ Entrepreneurial Culture}$$

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Major Findings

The objective of the study was to establish the effect of Entrepreneurial Culture on the performance of social entrepreneurship firms in Kenya. The study found that entrepreneurial culture and performance of social entrepreneurship firms are positively and significant related.

These findings agree with that of Khalid (2015) who conducted a study on entrepreneurial behavior, social and economic institutions and performance of micro and small livestock enterprises in north eastern region, Kenya. The study found that there were that a number of aspects of entrepreneurial behavior dimensions directly and positively affected performance of the MSEs. The study specifically found that business interests, achievement need or motivation contributed significantly to performance of MSEs. These findings also agree with that of Al-Swidi and AlHosam (2012) who conducted a study on the effect of entrepreneurial orientation on the organizational performance. The study concluded that entrepreneurial orientation and organizational performance are positively and statistically significant. Ashitava (2010) also concluded that corporate entrepreneurship brings about more revenue and thereby better performance to these firms.

5.2 Conclusion

Based on the study findings the study concluded that entrepreneurial culture have a positive and significant relationship with performance of social entrepreneurship firms.

The study also concluded that proper and well laid marketing principles influence performance of the entrepreneurship firms. The study also concluded that most social entrepreneurship firms encourage innovation. In addition, entrepreneurs' experience has a significant role in the future of the business.

5.3 Recommendations

The study also recommends that all social entrepreneurship firms should enterprise should use planning to forecast its activities. This helps them to boost their performance. The firms should also ensure effective control of activities in their enterprise. In addition, there should be a clear structure of management in all social entrepreneurship firms. All employees in all social entrepreneurship firms should be well trained in their areas of operation to enhance their performance.

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