Vol. 12(24), pp. 726-736, 28 December, 2018
DOI: 10.5897/AJBM2018.8680
Article Number: B468F0A59609
ISSN: 1993-8233

http://www.academicjournals.org/AJBM

ACADEMIC JOURNALS
expand your knowledge

African Journal of Business Management

Full Length Research Paper

Institutionalism and development process of family firms in Kenya

Elijah Bitange Ndemo

Department of Business Administration, School of Business, University of Nairobi, Kenya.

Received 29 September, 2018; Accepted 20 November, 2018

This paper uses institutional theory to investigate the nexus between institutional context and development of the entrepreneurial process in family firms (from start-up, development, and growth to innovation and corporate entrepreneurship), focussing on the behaviour patterns of entrepreneurs. A qualitative case study methodology was used to examine 60 cases over a one-year period. Thirty of these cases were from two extreme contexts: affluent means and modest means. Six cases were considered to have entrepreneurial-development and growth potential and, thus were selected for in-depth interviews. The institutional context influences entrepreneurial development. While external institutions, such as regulatory policies and macroeconomic environment positively influence entrepreneurial development from an affluent-means context; they have no impact on entrepreneurial development in a modest-means context. Qualitative studies have ways of delving deeper into real issues that can help entrepreneurs begin to adopt modern management practices. Too many informal enterprises may never contribute to economic growth. Thispoints to the need for academia to begin generating meaningful discourses by looking outside the traditional family research topics. If policymakers consider the implications of the study, it will change the lives of many informal enterprises and reduce poverty.

Key words: Entrepreneurship, institutional context, family enterprises, entrepreneurial development, entrepreneurial growth.

INTRODUCTION

Research in entrepreneurship is increasingly making a case for contextualized perspectives (Steyaert and Katz, 2004; Baker et al., 2005; Welter, 2011; Welter and Smallbone, 2011; Hunter and Lean, 2018), largely to recognize the diversity of entrepreneurial behaviours and the environmental conditions in which they operate (Welter and Smallbone, 2011; Jones et al., 2016). Shane (2003) argues that this would help explain ‘why’ and ‘how’ only some individuals exploit opportunities that yield greater benefits and successfully grow their enterprises, while others do not.

Personal characteristics and entrepreneurial behaviours as evidence shows may explain how different individuals perceive and exploit opportunities (Welter and Smallbone, 2011; Upananda and Kumara, 2014). However, as Zahra and Dess (2001) argue, the nexus between the institutional context and how an entrepreneur responds to opportunities in the course of entrepreneurial

E-mail: bndemo@bitangendemo.me.

development (start-up, development, growth, innovation, and corporate entrepreneurship) is still not fully explained in the literature.

Family enterprise

Family enterprise has not been adequately defined. This is because ‘family’ can be an all-embracing term; it can be the immediate family, extended family, or family by marriage. Most definitions of the family enterprise focus on who controls ownership, management, and the board. For the purpose of this paper, the definition by Chua et al. (2009) suffices: “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (p. 25).

The family business, as many studies show, is the dominant form of business organization around the world (Aldrich and Cliff, 2003; Sharma, 2004; Morck and Yeung, 2003; Chrisman et al., 2005). More than 80% of global enterprises are family-owned (Gersick et al., 1997). Most global economies are controlled by a limited number of wealthy families (La Porta et al., 1999). As recent studies reveal, entrepreneurial intentions of starting and growing an enterprise are not uniform (Galanakis and Giourka, 2017). Instead, “the process of transforming initial entrepreneurial intentions to a growing venture demonstrates that different approaches are required in order to foster each one of the factors identified. Focussing on activities and resources one stage at the time, or presenting parallel activities that reflect the different levels of maturity of regions, institutions, individuals and societal perceptions may provide better service to nascent and active entrepreneurs” (p. 317). An earlier study (Klyver, 2007) established that the involvement of the family members differs depending on the phase of the entrepreneurial process. Family members are most strongly involved in the emergence phase when the final decision to start or not has to be made. Furthermore, involvement of family members is most common when entrepreneurs are young and have higher education of no more than three years duration. Family members tend to be males with whom entrepreneurs have strong ties and these family members tend to be more critical than other actors in other role-relationships (p. 258).

This paper, therefore, explores the influence of the institutional context on family firms and entrepreneurial development from start-up, development, growth, innovation, and corporate entrepreneurship in Nairobi, Kenya. Entrepreneurial behaviour is examined in two different contexts: affluent and modest. Institutional theory is used to examine six enterprises, three from each sector (primary, secondary, and tertiary).

Research problem

At this juncture, the importance of entrepreneurship to economic development and the lack of extensive research on the nexus between institutional context and entrepreneurial development of the family firm emphasizes the need to carefully consider this important topic (Ebner, 2005; Kasseeah, 2016). Further, the family is an important institution whose role in entrepreneurship cannot be underestimated (Aldrich and Cliff, 2003), especially in terms of resource mobilization (Steier and Greenwood, 2000; Elfring and Hulsink, 2001; Zhang et al., 2003). The nexus between the institutional context and entrepreneurial development of the family firm demands further investigation. Similarly, it should also be investigated as to why within the same environment some entrepreneurs enjoy greater benefits and their firms experience successful growth while others do not. The investigation, aimed to address these gaps in knowledge, is guided by three questions:

(i) How does the institutional context influence entrepreneurial development of the family firm?
(ii) In the same environment why do some family entrepreneurs enjoy greater benefits and successfully grow their firms while others do not?
(iii) What characteristics, if any, do family members in a successful enterprise possess?

Institutionalism in this study is conceptualized through the lenses of both affluence and modest economic means. In other words, the firms studied were analysed by comparing not only the differences between the two environments within which they operate but also the emerging institutional contexts within their locations. In this paper, the environment refers to the macroeconomic environment, and the context refers to the immediate environment and the activities wherein these enterprises are embedded.

Institutional theory

Earlier research on institutional theory generally defines it as a theoretical framework used to examine interactions between organizations and institutional environments (DiMaggio and Powell, 1983, 1991; Scott, 1995; Fang et al., 2012). In other words, “the institutional context consists of regulatory, normative, and cultural arrangements that engender, enforce, and limit economic and social activities. This definition outlines both formal and informal institutions” (Fang et al., 2012: 16).

Institutional theory presupposes that organizations, over time, will adopt similar behaviours when driven by a variety of pressures within their environment. Organizations, as it is argued, look at the characteristics of the environment and then conform to the dominant societal norms, rules, and routines (DiMaggio and Powell, 1983). For organizations to survive, they must conform to the prevailing rules and belief systems in an environment (Scott, 1995; Meyer and Rowan, 1977; DiMaggio and Powell, 1983). For example, an enterprise in the informal sector will face pressure to conform to the majority, even when the situation dictates that the enterprise must change its status to formal.

LITERATURE REVIEW

Institutional context and entrepreneurial development of the family firm

Research on family enterprises has evolved from earlier studies (Ward, 1987; Dunn, 1995; Reid et al., 1999; Poza, 2007) that largely focused on the "advantages and disadvantages of a family-or a business-first approach" (Basco and Rodríguez, 2009: 82). The present research aims to take a more holistic perspective to understand the working of the family enterprise while also paying attention to both the family and business (Stafford et al., 1999; Habbershon et al., 2003; Sirmon and Hitt, 2003; Dyer, 2006). Increasingly, new research (Shane, 2003) is showing interest in understanding 'why' and 'how' only some individuals exploit opportunities that yield superior benefits and grow successful small businesses, but others do not.

In his study, Shane (2003) raises some pertinent questions. For instance, he questions whether every family enterprise exploits opportunities. If they do not, he notes, then they are most likely not entrepreneurial and, thus, join those who fail to succeed. Entrepreneurship, he adds, is the interaction between an individual and an opportunity, with the latter possibly determining the type of entrepreneur. Upananda and Kumara (2014) note that entrepreneurs can be defined under three well-established criteria: "business ownership, decision-making role, and ability to identify and exploit opportunities" (p. 43). In the process of entrepreneurial development, different entrepreneurial skills may be required to sustain an enterprise.

Enterprise start-up

Opportunity exploitation comes after recognizing the opportunity and planning a start-up. "Opportunity recognition and opportunity exploitation are two central concepts in the entrepreneurial process" (Kuckertz et al., 2017: 78). Opportunity recognition is a creative process at the heart of the business activity (Leadbeater and Oakley, 1999) and leads to finding new exploitable ideas. The key question is where do entrepreneurial start-ups get their ideas from? As Galanakis and Giourka (2017) argue, an entrepreneurial path is explained by different factors at each stage of entrepreneurial realization. Some of the important factors include perceived desirability, feasibility, self-efficacy, network ties, and social capital. Ideas generated from creativity and innovation are likely to have a better competitive advantage and be more sustainable with regards to entrepreneurial development.

Enterprise development and growth

Growing firms need professional support to sustain their growth. However, the most challenging part of growing a family enterprise is the decision to inject professionalism into the firm (Chua et al., 2009; Lee et al., 2003; Stewart and Hitt, 2012; Fang et al., 2012). This paper considers professionalization as a critical strategy to develop and grow the family firm; one that necessitates the adoption of professional norms (Hofer and Charan, 1984).

Professional norms are not very common. This is especially true within African communities that have underlying norms about omens: for instance, omens related to plans after death perhaps explain the absence of a will among Africans. A 2016 report by Price Waterhouse Coopers (PWC, 2016) in Kenya summed up the challenges Kenyan enterprises face: operational challenges, poor succession planning, and poor conflict resolution. These are key concerns, PWC notes for privately-owned Kenyan businesses, most of which are run by families. Literature from other parts of the world indicates that this may not be only a Kenyan problem. As Davis and Tsai (2017) suggest, the growth or decline of a family enterprise is enhanced or hindered from generation to generation due to the following reasons:

(i) Families do not have the optimal strategy for allocating their capital for growing overall family wealth, including an objective plan for the core business, based on the industrial life cycle and competitive landscape;
(ii) Families lose their ability to make sound business decisions to grow their wealth in later generations. Part of this may be the result of owners becoming more distant from the management of their wealth;
(iii) Lifestyle expectations of family members increase. This results in an increase of consumption, which decreases the level of capital that can be used to generate more wealth over time" (p. 2).

Innovation and sustainability

In his Mark I theory, Schumpeter (1934) argued that the innovation and technological change of a nation come from its entrepreneurs and what he termed as "wild spirits", where he referred to entrepreneurial activities as creative destruction. For any family or non-family organization to be sustainable, innovation must be at the core of its strategy. Sustainable enterprises destroy existing products, disrupt orthodox production methods, consumption patterns, and market structures, replacing them with superior environmentally (Berle, 1993; Anderson and Leal, 1997; Staber, 1997; Keogh and Polonsky, 1998; Pastakia, 1998; Schaltegger, 2002; Lehmann et al., 2005; Cohen, 2006) and socially (Prahalad and Hammond, 2002; Mair et al., 2005; Bright et al., 2006; Milstein et al., 2006; Nicolls, 2006; Bull, 2008) sound products and services.

Family business studies (Carnes and Ireland, 2013; De Massis et al., 2013; Li and Daspit, 2016) confirm that innovation is at the heart of the development trajectories of these types of businesses. Li and Daspit (2016) posit that "while scholars consent that family involvement creates uniqueness in firm innovation, findings suggest that family involvement is both beneficial and detrimental to innovation success" (p. 105). However, there remain opposing viewpoints as to whether family firms are any better at innovation than non-family enterprises. While there are those who suggest that family firms are more innovative than non-family firms (Craig and Dibrell, 2006; Gudmundson et al., 2003; Llach and Nordqvist, 2010), others hold contrary opinions (Chen and Hsu, 2009; Dunn, 1996; Muñoz-Bullón and Sanchez-Bueno, 2011).

Corporate entrepreneurship

According to Kellermanns and Eddleston (2006), corporate entrepreneurship has great potential to sustain the family firm across generations. However, this important topic is under-researched. These researchers recognized that there was not much literature in this area. Consequently, they conceptualized a framework, hypothesising that corporate entrepreneurship, as entrepreneurial activity, is influenced by a willingness to change, generational involvement, perceived technological opportunities, and strategic planning. They concluded that family members' willingness to change and recognition of technological opportunity positively influence corporate entrepreneurship in family firms. This highlights the significance of the family in understanding family firm entrepreneurship and success (p. 809).

Formal/Informal enterprise in Kenya

The majority of Kenyan enterprises fall within the categories of micro, small, and medium with few large enterprises. Kenya's 2017 economic survey established that "there were about 1.56 million licensed MSMEs and 5.85 million unlicensed businesses. These establishments were both in the formal and informal sectors. Most of the unlicensed establishments were operated at the household level" (p. 296). The report notes that 92.2% of establishments were categorised as micro, 7.2% as small, and 7% as medium. Further, there is virtually no growth beyond the small-enterprise category, where small firms grow into large enterprises.

The institutional context, in this case, is explained by those rules, norms, regulations, culture, social networks (in terms of stability, governance, and content), and traditions that govern entrepreneurial behaviour. The institutional context, therefore, can either facilitate or constrain entrepreneurship (Welter, 2011). In the conceptual model (Figure 1), the context is dichotomised into affluent and modest. Key institutions are either external measures—formal regulations and rules and policies governments used to distinguish between formal versus informal enterprises—or internal ones. Internal measurement refers to those aspects of the culture, norms, traditions, and social networks that are either within the entrepreneur's control or that influence his or her behaviour patterns. As stated earlier, in Kenya, enterprises operate either a formal (registered) firm or an informal one (not registered/operating in an informal environment). The interaction of these variables (as indicated in the conceptual framework) could facilitate an enterprise's growth from start-up to corporate entity, or it could hinder its development.

Institutional context clarified

Institutions are the formally or informally developed rules that govern human behaviour (North, 1990, 1991). From a national government to an organization, there are codified, legal, and political structures that form the basis of formal rules, such as constitutions. For example, a written contract is a formal institution that reduces risk and uncertainty. Codified standards or rules that are known to all members of a group or industry are also institutions (Boettke and Coyne, 2009). These "standards may be established by the members of the group or by some external authority. In either case, the rules are formally written and binding to all members of the group" (Boettke and Coyne, 2009: 139).

Informal rules form part of virtually every organization's informal culture. They influence how people behave outside of and beyond the company's formal structure or organization. These informal rules include norms, culture, conventions, and values that are not supported by any legal framework. There are many other examples of informal institutions that have a far greater impact than formal institutions. These include welfare organizations that are popularly known, in Kenya, as "chamas" (corporative). They are formed outside the organization and provide an employee-support network. There are also associations centred on family structures and largely based on trust.

According to Boettke and Coyne (2009), it is the norms, customs, and values that enable us to cooperate with strangers in the marketplace that provides the foundation

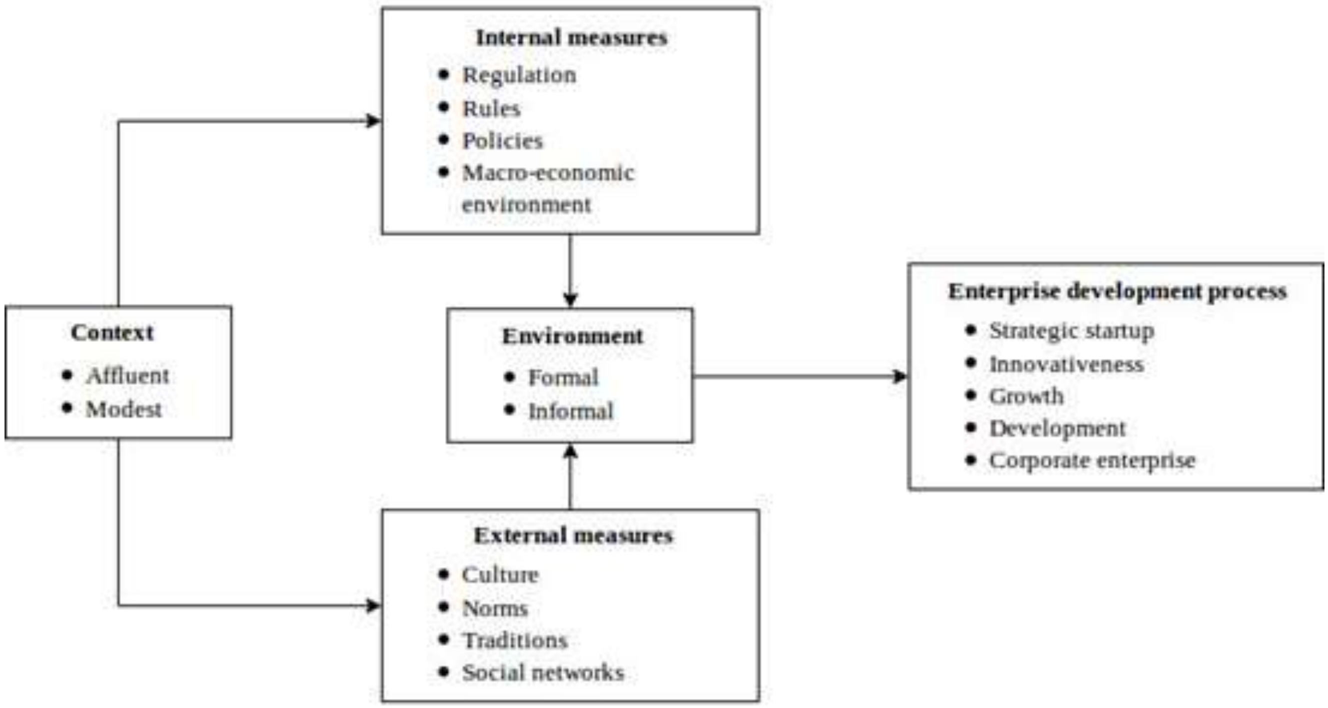

Figure 1. Conceptual framework.

for modern economic life. Central to the sustainability of informal institutions are norms and values of trust and reciprocity (see Keefer and Knack, 2005). Informal institutions largely function because of the existence of reciprocity, and a central element of reciprocity is trust. Informal interaction requires that people respond in kind and deliver on their responsibilities and agreements (p. 140).

METHODOLOGY

The study of entrepreneurship does not fit well with survey methods. Davidson (2004) suggests a qualitative design for entrepreneurial research. Entrepreneurship, he argues, is a process that cannot be captured by survey research methods. The heterogeneity of individuals makes it impossible to select a representative sample from a homogeneous population. Entrepreneurial behaviour is unpredictable, and it may be false to assume that people are engaged in entrepreneurial activities throughout their whole business life. Weis and Weber (2017) note that while a Kenyan entrepreneur may appear to be engaged in one activity, there is often side hustling underneath it all. In the light of this complex entrepreneurial behaviour, quantitative methods may not pick up any underlying phenomena.

Due to bias towards positivism, most studies (McDonald et al., 2015; John, 2017) acknowledge entrepreneurs to be homogenous. However, this is changing with more research focussing on qualitative methods to better understand entrepreneurs. As a result, new concepts are emerging. Fierro and Noble (2013) identify parallel entrepreneurship, which has the characteristics of serial entrepreneurship and is defined as one in which the actors are simultaneously involved in multiple enterprises.

To capture such unique behavioural patterns, it is imperative to use a case study analysis, which is a qualitative approach that eliminates the aforementioned issues (Yin, 2003). The case study method is thus used in this paper to analyse how the institutional context influences the family firm and entrepreneurial development. Sixty cases (30 from two contrasting contexts) were screened over a one-year period; on the basis of their growth potential, six were eventually selected for in-depth interviews.

Embedded multiple case study design

An embedded multiple-case-study design offers the means to address the research questions and compare and contrast the institutional variables in enterprises with both affluent and modest settings. This method uses an inductive, constructivist lens while also applying quantitative measures to objectively assess the specific factors common to the successful-enterprise context, whether it be affluent or modest.

Yin (2003) specifies that the case study research is most appropriate when investigators hope to "(a) define research topics broadly and not narrowly; (b) cover contextual or complex multivariate conditions and not just isolated variables; and (c) rely on multiple and not singular sources of evidence" (p. xi). This study intends to view successful entrepreneurship through multiple lenses. Rather than simply investigating one isolated characteristic, it looks at successful entrepreneurial activities as being contextually defined and complex, and it requires the application of multiple sources of evidence. As such, case study design is ideal for the needs of this study.

Context of the case studies

This study took an iterative approach to selecting appropriate samples (Miles and Huberman, 1994). It also included two extreme contexts: a poor neighbourhood in Kamukunji, Nairobi, that is perhaps the headquarters of informality in Kenya; and Ngong Road, Nairobi, an affluent and emerging technology hub. The study applied Eisenhardt (1989)'s maximum variation strategy to select the contexts and the enterprises embedded therein. These two localities have almost homogeneous populations. Kamukunji consists of mostly high school dropouts who work in informal production centres. It has evolved to serve a nearby informal market and is quite close to the city centre and the industrial area. Here, businesses have access to their suppliers, and this is also where their customers operate from. In contrast, Ngong Road largely consists of college graduates who are trying their luck in technology ventures. It has emerged as Kenya's tech hub, simply because of the pioneering co-working space and incubator, iHub, which first opened here after Kenya built a high-speed fibre optic link to the Middle East. New tech start-ups began to leverage the proximity of iHub and, by 2010; the area became synonymous with tech development.

Initially, 30 enterprises were picked from each location. But after several iterations, using Yin (2003) as the selection criteria and participatory assessment (Dayal et al., 2000) to gain an understanding of each participating enterprise, six-three from each location-organizations were selected based on their responsiveness to suggested meetings. The research design has two units of analysis: the institutional context and the enterprises embedded within the context. Yin (2003) describes this type of design as a multiple-embedded-case design. Case studies of businesses from each location below help to gain an understanding of the needs and capacities that reside within individuals and groups.

Cases from relatively affluent Ngong Road

Case 1: In 2015, a 26-year-old engineering graduate partnered with his classmates to develop a 3D manufacturing facility. They detected an entrepreneurial opportunity in manufacturing 3D printers for schools on order. They have been busy in their venture since its inception. A 3D printer works like a robot, using a method called additive manufacturing to develop a 3-dimensional image of any shape. This new and emerging technology works by adding and shaping successive layers of material into a product of any size quickly and cheaply. Some countries, especially in the developed world, use this technology to gain a competitive advantage in the market, especially on products they traditionally outsourced to countries with cheap labour.

All three entrepreneurs graduated from a university in 2014; they studied engineering. In college, they grew interest in the university's fabrication lab, participating in a project dubbed 'Happy Feet', sponsored by the Dutch non-governmental organization, Hivos. The project devised a printer that produced customized shoes for people whose feet had been deformed due to infection from a sand flea (jigger)-considered a menace in some parts of the country. After printing several sets of shoes, they were confident to try it on their own. They also wanted to bring their production closer to the customers. However, they did not have the capital to invest in printers in every part of the country. Therefore, to advance their idea, they changed their original plan of moving into shoe manufacturing and ventured into making 3D machines. They planned to become competitive by selling each printer at $350, which was below the price of imported ones priced at $2,000. They also figured that they could be producing car parts to supplement their incomes.

They also began producing raw materials for their products. This mainly came from recycled plastic, which they harvested by working closely with garbage collectors. The plastics would be shredded into pallets, then processed into strands that formed the raw materials they needed to produce their plastic products. They also began collecting waste material to recycle and increase volumes. To be competitive and make more money, they figured they needed to improve their quality and the necessary volumes.

Noticing their work, a British non-governmental institution offered them a grant to replicate their model across the country-this was indeed their original plan. Their moto: Solution providers in 3D printing technology. They aimed to scale up quickly to meet the demands of the emerging technology. And in order to do so, they needed financing. But they had not managed to secure enough to address their needs. Presently, they are working to develop a clear business plan before seeking funding from venture capitalists.

Case 2: In 2012, an Ivy League Caribbean with a doctorate in computer science and his highly educated Kenyan friend started a data-collection company, aiming to make research more accessible by reducing field costs. They provide businesses, researchers, organizations, and individuals with a platform from which to solicit feedback from individuals in a simple and efficient way. These entrepreneurs made their foray into health research through a Harvard University project in Kenya. They did it by sending follow-up surveys to the study's participants in order to assess the degree of adherence to a medication called Pre-Exposure Prophylaxis (PrEP), which reduces HIV transmission. Armed with the Harvard project experience, the start-up went on to build a team dedicated to such kinds of projects. Within a very short period after its inception, they have now facilitated global collaborations with some of the big names in health research in the U.S.

The company is scaling up fast across the African continent and the world. It now assists health researchers and practitioners by collecting feedback from study participants, patients, and the public, and by facilitating conversations between health personnel and patients. This start-up, once small, has made a huge social impact through technology. They have managed to generate and store knowledge through cloud-based storage and offer increased data security. Unlike in the past when researchers relied solely on field enumerators, they use digital links to access respondents in remote locations and also to follow up with them over the longer term of a project. These entrepreneurs' value proposition includes the anonymization of data and the removal of paper-based records so as to increase confidentiality and allow researchers to analyse data in real-time. Their digital platform has greater implications for research, policy, and practice since research shows that respondents are often more honest when they answer sensitive questions through short messaging services (SMS) than in face-to-face encounters. This reduces bias and improves data quality. Through SMS, it takes only minutes to send a survey to thousands of people, meaning that sample sizes can now be larger and, in some cases, cover an entire population even in extremely remote areas.

Overall, collecting data this way saves time and, thereby, increases the pace at which knowledge/research is disseminated. This is, perhaps, why investors are betting on this particular company. After early stage fundraising, the founders have improved their product and were able to poach high-quality staff from top technology companies across the world, including Silicon Valley. The culture within the organization has changed to accommodate the company's international character. It is growing fast and, as it grows, it has adopted a professional approach by appointing an advisory team. Further, the staff are incentivized to innovate within the enterprise, and the response to their series-A fundraising has been tremendous.

Case 3: This small creative-arts company is in the textile sector and focuses on women's wear. Although it is situated along Ngong Road, it is not quite a tech company, but it heavily leverages technology to grow its brand. The company was launched in 2011 by a young lady with virtually no experience in the textile industry. She went through a learning curve and successfully started scaling up her business. Her dream is to follow the footsteps of Zara, the Spanish clothing store giant and become the Zara of Africa. A graduate of a top Canadian university, she began her banking career immediately after college. She later quit banking to complete her MBA in South Africa. After 20 years in various international jobs, she founded her company. Her brand has picked up in Kenya, and it has been growing on a year-to-year basis by between 30–50%. With more than seven outlets, she is looking to scale up throughout the country. One of the areas it is growing fast in is the online sales, and the local logistics firms have risen to the occasion in terms of growing the brand. In fact, these firms always meet their customers' needs on time and can, therefore, be counted on over the medium and long term.

Although at the beginning this entrepreneur did everything herself—as those in many start-ups do. Without the services of professionals, she realized she may not scale the business as fast as she wanted. In addition to employing professional service, she also appointed a board of directors to provide her with strategic leadership. Indeed, the company is on the upward trajectory, with more than 40 employees and in search of facilities to expand. She is now at an early stage of building a new model that outsources production as she focuses on sales and distribution. The challenge, however, is finding the right skill mix to separate manufacturing from distribution—there is a marked dearth of polytechnics in Kenya, a fact that has had a negative impact in terms of improving mid-level skill sets in the labour force.

In a country with high youth unemployment, she notes, it is ridiculous that one has to seek suck skills outside the country. The few workers who have the right qualification also disappoint as they lack the emerging computer-assisted manufacturing in virtually all sectors of the economy. Further, college instructors are using old sketchbooks in their teaching. Therefore, college administrators need to upgrade their curriculum to include computer-assisted techniques. If the industry is to grow, as it should, then there is a dire need for a textile design studio for knitting, weaving, or printing. This is an imperative that will be foundational for the design and technology necessary for the development of the textile design.

Despite these shortcomings, this firm has got into Big Data through its loyalty program. Here, the owner collects customer data and uses it to study behaviour patterns as well as plan for production. She has learnt about the colours or designs that bring in the greatest amount of resources. The information is used for decision-making that minimizes waste and relayed to production and procurement. Since she has also devised a strategy, according to which she uses imported Jersey fabric-a stretchy material-to accommodate up to three sizes of fitting, she is now able to cover diverse interests in clothing.

The owner wants to do even more with the data. She wants to use it, for example, to decide where to establish the next outlet. She desires to leverage technology throughout her network using the cloud-based enterprise resource planning (ERP) system, which would guarantee data security. The most important item on her agenda is automating her branch network, something that will unleash huge payoffs as it will facilitate managing costs better and improve the business model. She is well aware that global retail giants are targeting Kenya due to its growing middle class and, therefore, she knows she has to innovate quickly. Like the food sector, new multinational clothing stores are taking up space in many of the new malls in Kenya. She has decided to take them on, but with a slightly different strategy of embracing data-driven decision-making. She is attuned to the fact that the fashion industry is very dynamic and subject to disruptions. Hence the reason she looks up to the strategies of Zara is to remain competitive, at least for now, before giant stores begin their expansion in Kenya. She has to start thinking about changing her product line to remain competitive. One of her advantages is the use of social media for marketing. A country like Kenya, comprised largely youths needs social media. She uses social media to build her brand and has already recruited brand ambassadors with its help. In addition, she also reads widely to stay up to date with trends.

Perhaps, her best strategy is to provide high-quality products at a reasonable price to compete with used-clothing and give Kenyans the opportunity to buy new clothing, according them the dignity they deserve. In terms of her expansion strategy for her business model, she feels comfortable with joint ventures instead of franchising. She needs to decide on her business model and solidify her strategy without necessarily stretching the management team. Even though there are challenges, especially associated with low margins, the enterprise has potential. Leveraging technology will create the necessary efficiencies for a sustainable future.

Cases from modest Kamukunji

Case 4: After three years of looking for a job, this entrepreneur settled for work at his cousin's open-air blacksmith workshop in Kamukunji, a historical district in Nairobi renowned for its African uprisings against the White rule. The old colonial homes still stand, providing housing to many lower-income Nairobians. The area borders the central business district, the famous Gikomba market, and is close to the industrial area. These advantages, as well as its close proximity to suppliers and customers, make Kamukunji an attractive place to establish an informal enterprise.

Kamukunji is a busy place. The noise is deafening: artisans continually pound steel drums, fashioning them into cooking utensils, wheelbarrows, and other products. After ten years in the area, the entrepreneur managed to set up his own workshop and bring more of his relatives to the area as apprentices. The city's proximity to hardware shops has also allowed him to develop close links with good businesses, one of which helped him purchase an old car. He needs the car, he says, to manage his "empire". He has another similar business in Kariobangi, manufacturing weighing machines. When asked why he does not consolidate these enterprises, he says that the tax people are getting cleverer. Informality, he notes, has bought him land in Kitale, to the west of the country, where he owns a thriving dairy farm. He has no plans to scale up the enterprise. Instead, he hopes to join politics. "I have assisted many young people from my village to eke a living in Nairobi", he says. "Now, it is their turn to reciprocate by electing me". Having been a chief campaigner for a local member of parliament, he has developed a good political network. And his demeanour and quality of clothing suggest that he is no longer poor.

Case 5: A young man, now aged 30, came to Nairobi in his early 20s, as many high school graduates do. At first, a relative employed him to supervise the construction of an apartment block. Here, he interacted with many contractors and befriended some of them. After the project was completed, he enrolled in a commercial college to study business management, but his lack of resources did not let him finish the course. He sought out one of the contractors from the project and, luckily, was employed as a bookkeeper. After a year, he quit coming to Kamukunji as an apprentice welder with a contractor he had met during the apartment project. Through his relative, he also helped contractors obtain good business, for which he earned commissions, helping him raise sufficient resources to purchase his own welding tools and start his own business. This enabled him to do smaller contracts on his own. But when the projects grew in size, he collaborated with his contractor friend. After less than five years in his welding venture, he managed to hire six apprentices and a sales and marketing person, the latter whom he pays on commission.

This entrepreneur never regrets having set up his enterprise as he has bought himself a plot in Kayole Estate (south of Nairobi), where he is now building a home. Just like his fellow informal-sector entrepreneurs, he measures success by what he has done for himself, his family, and "his people" (fellow tribesmen). It takes a while to understand why he emphasizes his people in the enterprise. Through the welfare society they created, they have managed to make investments in their ancestral home. These people are the insurance policy for his business, his health, and the health and education of his little children. He attributes his success to the welfare society that helps to bring his wealthier relatives closer to each other. He takes advantage of such meetings by seeking contracts from them. He plans to eventually start his own construction company and become a major contractor.

Case 6: This case relates the story of a 35-year-old man who came to Nairobi after completing high school. Employed as a clerical officer by the city authorities, his responsibilities entailed issuing permits to informal enterprises that wished to operate on public land, mostly along the road reserves. During his work, he got to know many of the people he assisted. When he was fired from his job, he found solace in Kamukunji, often helping many of the people there navigate the city's authorities. Soon, he began to charge people for running errands, such as resolving issues of rent arrears with the city council. He also hired a pushcart to help producers transport their manufactured goods to Gikomba and other destinations. Within three years, he bought his own pushcarts, which he had hired out. All along, he had no idea that his was a courier business, and when motorbikes became a major transportation mode, he bought two to help transport customers' products to wherever they wanted. With this faster mode of transportation, the scope of his operation expanded.

Working with many of the welders in Kamukunji, he innovatively modified one of the motorbikes to make it carry more luggage. Retail shop owners, some of whom he had helped during his former employment, hired his new contraption to deliver supplies in much of Eastlands, Nairobi.

Presently, he has six motorbike operators, three pushcart operators, and a small car he uses to travel around and market his services. Since courier services are regulated, and he operates informally, he is sometimes harassed by the authorities. His greatest advantage is the fact his knowledge of the region, which has no street addresses, is unparalleled. Even if the postal services were to begin delivery services here, they would need his extensive knowledge. Six years into his business, he has managed to educate his children in good schools. He will give them the best education they want, he swears, because they are the ones who motivate him to wake up every day and struggle in this complex city.

FINDINGS AND ANALYSIS

An analysis of the institutional context (Table 1) shows that it can influence entrepreneurial development. External institutions, such as the regulatory framework and its rules and policies, necessitate the modern management practices that are essential for a firm to attain the requisite growth trajectory to become a corporate enterprise. Although successful in some aspects, enterprises within the modest (informal) context are limited by entrepreneurs' fear of compliance with the law. Success at the informal level is measured by the other side activities the entrepreneur has managed to develop, such as helping a relative (fosters internal institutions), setting up another side enterprise, or building their own home-any or all of which may not be directly complementary to the enterprise.

The six case studies demonstrate that while entrepreneurs in the affluent context leverage on opportunity recognition, informality is based on strong family ties, culture, and social networks. The affluent context is closely linked to formal enterprises, while informal enterprises are closely associated with the modest context. Formal enterprises, especially those that take advantage of information and communication technologies (ICTs), must adhere to certain global norms due to the nature of their business links outside the country. This is because, in most cases, their enterprises depend on venture capitalists to finance their growth.

The differences between formality and informality are significant, reflecting the behaviour patterns between college and high school-educated entrepreneurs. Also highlighted are the differentiating factors that may not just be education, but rather entrepreneurs' orientation towards internal institutions and whether there is a failure to seek out and exploit opportunities. Within the modest context, entrepreneurs do not seem to seek out opportunities; rather, in all the observed cases, they are swept into and duplicate what their relatives are doing. By contrast, those within the affluent context seek out opportunities and leverage modern management practices to sustain their enterprises.

The growth trajectory of family firms in the affluent context is intertwined with the ability to raise capital from venture capital sources. This, in turn, has forced the development of a new culture that looks at the numbers and adheres to global standards. This contrasts with those firms from the modest context, which grow organically or leverage other internal institutions in order to meet their financial requirements. These entrepreneurs perform differently, with some succeeding and others failing, largely because of the influences of the business culture they adopt.

CONCLUSION AND IMPLICATION

This study seeks to understand how institutional context influences entrepreneurial process in the family firm. It seeks to discover why entrepreneurs perform differently, and the characteristics, if any, that family members in successful enterprises possess. In all, the study confirms the theoretical assumptions. First, there are variations in the interactions between external and internal institutions as they relate to entrepreneurial development. How this happens depends on the environment in which the family enterprise is embedded in. Although the contexts are situated within one large city, the absence of external institutions (those that heavily influence the entrepreneurial development in affluent areas) in families within a modest context hinders them in terms of the same development trajectory that is enjoyed by the affluent who embrace these institutions.

Internal institutions encourage inward-looking tendencies that blur the enterprise-development process. Although innovativeness exists in a modest context, it happens intermittently, disrupted by the behaviour of starting multiple unrelated enterprises. This perhaps

Table 1. Context analysis.

Measurement of context	Context	
	Informality	**Formality**
External measures		
Regulation	Low	High
Rules	Moderate	High
Macroeconomic policies	Moderate	High
Internal measures		
Norms	Low - moderate	High
Traditions	High	Low
Culture	High	Low
Social networks	High	Low
Solidity	Homogenous	Heterogeneous
Governance	Family ties	Relies on expertise
Content	Low in value	High in value
Success measures		
Opportunity recognition	Low	High
Start-up (implementation)	High	High
Growth development	Low	High
Innovativeness	Moderate	High
Corporate entrepreneurship	Unlikely	Very likely

explains why there is a large informal sector in developing countries. Policy interventions include incentives to formalize enterprises, training programs on enterprise scaling and developing innovative and entrepreneurial clusters. The number of enterprises within the informal environment is too large to ignore. As entrepreneurs are the engine of economic growth, entrepreneurship needs to grow; at the moment, there is no enough to support Kenya's economic growth.

In practical terms, the study makes a meaningful contribution to the way we research family enterprises. Quantitative methodologies often fail to capture the nuances associated with entrepreneurs. Moreover, nonverbal actions and issues of trust matter in getting to the bottom of research. This study brings a different theoretical dimension to the study of the family enterprise, especially in developing countries where such investigations have focused only on the benefits of these types of enterprises and issues of succession.

Limitations and future study

In any research where the sample is too small, there is always a concern that the outcomes do not yield to generalisations. Nevertheless, the study generates a useful discourse that can lead to a better understanding of how institutional context influences entrepreneurial development. The study raises some curious questions that need further research. The behaviour patterns of entrepreneurs in the modest context appear to show that they are content with their modest achievements. This raises the question: does entrepreneurship in developing countries plateau when an entrepreneur attains modest achievements?

CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

REFERENCES

Aldrich HE, Cliff JE (2003). The pervasive effects of family on entrepreneurship: toward a family embeddedness perspective. Journal of Business Venturing 18:573-596.

Anderson T, Leal D (1997). Enviro-Capitalism: Doing Good While Doing Well. Lanham, Maryland, USA: Rowman Littlefield Publishers.

Baker T, Gedajlovic E, Lubatkin M (2005). A framework for comparing entrepreneurship processes across nations. Journal of International Business Studies 36(5):492-504.

Basco R, Rodríguez M (2009). Studying the family enterprise holistically: Evidence for integrated family and business systems. Family Business Review 22(1):82-95.

Berle G (1993). The green entrepreneur: business opportunities that can save the earth and make you money. Blue Ridge Summit, PA: Liberty Hall Press. Available at: https://www.osti.gov/biblio/6859183

Boettke PJ, Coyne CJ (2009). Context Matters: Institutions and Entrepreneurship. Foundations and Trends® in Entrepreneurship 5(3):135-209.

Bright DS, Fry R, Cooperrider DL (2006). Transformative innovations for

the mutual benefit of business society, and environment. BAWB Interactive Working Paper Series 1(1):17-31.
Bull M (2008). Challenging tensions: critical, theoretical and empirical perspectives on social enterprise. International Journal of Entrepreneurial Behaviour and Research 14(5):268-275.
Carnes CM, Ireland RD (2013). Familiness and innovation: resource bundling as the missing link. Entrepreneurship Theory and Practice 37(6):1399-1419.
Chen HL, Hsu WT (2009). Family ownership, board independence, and R&D investment. Family Business Review 22(4):347-362.
Chrisman J, Chua JH, Sharma P (2005). Trends and directions in the development of a strategic management theory of the family firm. Entrepreneurship Theory and Practice 29:555-576.
Chua JH, Chrisman JJ, Bergiel EB (2009). An agency theoretic analysis of the professionalized family firm. Entrepreneurship Theory and Practice 33(2):355-372.
Craig J, Dibrell C (2006). The natural environment, innovation, and firm performance: a comparative study. Family Business Review 19(4):275-288.
Davidson P (2004). Researching Entrepreneurship. New York: Springer.
Davis J, Tsai F (2017). Growing Family Wealth from Generation to Generation. Cambridge Institute for Family Enterprise: University of Cambridge. Available at: https://cfeg.com/eBooks/CIFE_Article_GrowingFamilyWealth.pdf
Dayal R, Van Wijk C, Mukherjee N (2000). Methodology for Participatory Assessments: with Communities, Institutions and Policy Makers: Linking Sustainability with Demand, Gender and Poverty. Worl bank. Water and sanitation program.
De Massis A, Frattini F, Lichtenthaler U (2013). Research on technological innovation in family firms, present debates and future directions. Family Business Review 26(1):10-31.
DiMaggio P, Powell WW (1991). The New Institutionalism in Organizational Analysis. Chicago, IL: University of Chicago Press.
DiMaggio PJ, Powell WW (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. American Sociological Review 48(2):147-160.
Dunn B (1995). Success themes in Scottish family enterprises: philosophies and practices through generations. Family Business Review 8:17-28.
Dunn B (1996). Family enterprises in the UK: a special sector? Family Business Review 9(2):139-155.
Dyer WG (2006). Examining the “family effect” on firm performance. Family Business Review 19(4):253-273.
Ebner A (2005). Entrepreneurship and economic development: from classical political economy to economic sociology. Journal of Economic Studies 32(3):256-274.
Eisenhardt K (1989). Building theory from case study research. Academy of Management Review 14(4):532-550.
Elfring T, Hulsink W (2001). Networks in entrepreneurship: the case of high-technology firms. Small Business Economics 21(4):409-422.
Fang H, Chrisman J, Memili E, Welsh D (2012). Family Firms’ Professionalization: Institutional Theory and Resource-Based View Perspectives. Small Business Institute. Journal Small Business Institute 8(2):12-34.
Fierro A, Noble N (2013). Directions for a new African entrepreneurship research agenda: Parallel entrepreneurship as a solution to Africa’s impending employment dilemma. Frontiers of Entrepreneurship Research 33(17):233-234.
Galanakis K, Giourka P (2017). Entrepreneurial path: decoupling the complexity of entrepreneurial process. International Journal of Entrepreneurial Behavior and Research 23(2):317-335.
Gersick KE, Davis JA, Hampton MM, Lansberg I (1997). Generation to generation: Life cycles of the family business. Harvard Business Press. Available at: https://books.google.com/books?hl=en&lr=&id=ScDm6NUEr-MC&oi=fnd&pg=PR7&dq=Gersick+KE,+Davis+JA,+Hampton+MM,+Lansberg+I+(1997).+Generation+to+Generation:+Life+Cycles+of+the+Family+Business.+&ots=EaMLZYnr0l&sig=oYXI8BTNI8FXYw9crMyzMiXMZPs
Gudmundson D, Tower CB, Hartman EA (2003). Innovation in small businesses: culture and ownership do matter. Journal of Developmental Entrepreneurship 8(1):1-17.
Habbershon TG, Williams ML, MacMillan I (2003). A unified systems perspective of family firm performance. Journal of Business Venturing 18(4):451-465.
Hofer CW, Charan R (1984). The transition to professional management: mission impossible?. American Journal of Small Business 9(1):1-11.
Hunter L, Lean J (2018). Entrepreneurial learning – a social context perspective: evidence from Kenya and Tanzania. Journal of Small Business and Enterprise Development 25(4):609-627.
John E (2017). Developing Strategies to Harness the Power of Parallel Entrepreneurship in Africa. In: Ndemo B, Weiss T (eds.), Digital Kenya: An Entrepreneurial Revolution in the Making. Palgrave Macmillan. ISBN 978-1-137-57878-5
Kasseeah H (2016). Investigating the impact of entrepreneurship on economic development: a regional analysis. Journal of Small Business and Enterprise Development 23(3):896-916.
Keefer P, Knack S (2005). Social capital, social norms, and the new institutional economics. In. C Menard, MM Shirley (eds.), Handbook of New Institutional Economics. The Netherlands: Springer pp. 701-725.
Kellermanns FW, Eddleston K (2006). Corporate entrepreneurship in family firms: a family perspective. Entrepreneurship Theory and Practice 30(6):809-830.
Keogh PD, Polonsky MJ (1998). Environmental commitment: a basis for environmental entrepreneurship? Journal of Organizational Change Management 11(1):38-49.
Klyver K (2007). Shifting family involvement during the entrepreneurial process. International Journal of Entrepreneurial Behavior and Research 13(5):258-277.
Kuckertz A, Kollmann T, Krell P, Stöckmann C (2017). Understanding, differentiating, and measuring opportunity recognition and opportunity exploitation. International Journal of Entrepreneurial Behavior and Research 23:1:78-97.
La Porta R, Lopez-de-Silanes E, Shleifer A (1999). Corporate Ownership around the World. Journal of Finance 54:471-517.
Leadbeater C, Oakley K (1999). The Independents: Britain's New Cultural Entrepreneurs. London: Demos.
Lee KS, Lim GH, Lim WS (2003). Family business succession: appropriation risk and choice of successor. Academy of Management Review 28:657-666.
Lehmann M, Christensen P, Møller Larsen J (2005). Self-regulation and new institutions. The case of green networks in Denmark. In Sharma S, Aragón-Correa JA (eds.), Corporate Environmental Strategy and Competitive Advantage. Northampton, MA: Edward Elgar Academic Publishing pp. 286-308.
Li Z, Daspit JJ (2016). Understanding family firm innovation heterogeneity: a typology of family governance and socio-emotional wealth intentions. Journal of Family Business Management 6(2):103-121.
Llach J, Nordqvist M (2010). Innovation in family and non-family businesses: a resource perspective. International Journal of Entrepreneurial Venturing 2(3/4):381-399.
Mair J, Robinson J, Hockerts K (2005). Social Entrepreneurship. New York: Palgrave Macmillan.
McDonald S, Ching Gan B, Fraser S, Oke A, Anderson R (2015). A review of research methods in entrepreneurship 1985-2013. International Journal of Entrepreneurial Behavior and Research 21(3):291-315.
Meyer JW, Rowan B (1977). Institutionalized organizations: formal structure as myth and ceremony. American Journal of Sociology 83:340-363.
Milstein MB, London T, Hart S (2006). Capturing the opportunity of creating a more inclusive capitalism. Paper presented at the Academy of Management Meeting, 2006, Atlanta, 11-16 August.
Morck R, Yeung B (2003). Family control and the rent–seeking society. Entrepreneurship Theory and Practice 28(4):391-409.
Muñoz-Bullón F, Sanchez-Bueno MJ (2011). The impact of family involvement on the R&D intensity of publicly traded firms. Family Business Review 24(1):62-70.
Nicolls A (2006). Social Entrepreneurship – New Models of Sustainable Social Change. Oxford: Oxford University Press.
North D (1990). Institutions, Institutional Change and Economic

Performance. Cambridge: Cambridge University Press.
North, D (1991). Institutions. Journal of Economic Perspectives American Economic Association 5(1):97-112.
Pastakia A (1998). Grassroots ecopreneurs: change agents for a sustainable society. Journal of Organizational Change Management 11(2):157-173.
Poza EJ (2007). Family Business. Mason, Ohio: Thomson-South Western.
Prahalad CK, Hammond A (2002). Serving the world's poor, profitably. Harvard Business Review 80(9):48-59.
Price Waterhouse Coopers (PWC) (2016). The 'missing middle': Bridging the strategy gap in family firms. Available at: https://www.pwc.com/ke/en/assets/pdf/kenya-family-business-survey-2016.pdf.
Reid R, Dunn B, Cromie S, Adams J (1999). Family orientation in family firms: a model and some empirical evidence. Journal of Small Business and Enterprise Development 6(1):55-67.
Schaltegger S (2002). A framework for ecopreneurship: leading bioneers and environmental managers to ecopreneurship. Greener Management International 38:45-58.
Schumpeter JA (1934). The Theory of Economic Development. Cambridge, MA: Harvard University Press.
Scott WR (1995). Institutions and Organizations: Ideas and Interests. London: Sage.
Shane S (2003). A General Theory of Entrepreneurship: The Individual-opportunity, Nexus: New Horizons in Entrepreneurship. Cheltenham, UK: Edward Elgar.
Sharma P (2004). An Overview of the Field of Family Business Studies, Current Status and Directions for Future. Family Business Review 17:1-36.
Sirmon DG, Hitt MA (2003). Managing resources: Linking unique resources, management, and wealth creation in family firms. Entrepreneurship Theory and Practice 27(4):339-358.
Staber U (1997). An ecological perspective on entrepreneurship in industrial districts. Entrepreneurship and Regional Development 24(1):37-48.
Stafford K, Duncan KA, Danes SM, Winter M (1999). A research model of sustainable family businesses. Family Business Review 12:197-208.
Steier L, Greenwood R (2000). Entrepreneurship and the evolution of angel financial networks. Organization Studies 21(1):163-192.
Stewart A, Hitt M (2012). Why can't a family business be more like a nonfamily business? Modes of professionalization in family firms. Family Business Review 25(1):58-86.
Steyaert C, Katz J (2004). Reclaiming the space of entrepreneurship in society: geographical, discursive and social, dimensions. Entrepreneurship and Regional Development 16(3):179-196.
Upananda WA, Kumara WES (2014). How Does Institutional Context Influence Entrepreneurial Processes of Sri Lankan Small Businesses?. Ruhuna Journal of Management and Finance 1(2):41-56. Available at: https://www.researchgate.net/profile/Upananda_Witta_Arachchilage/publication/268034911_How_Does_Institutional_Context_Influence_Entrepreneurial_Process_of_Sri_Lankan_Small_Businesses/links/547406400cf2778985abbe56/How-Does-Institutional-Context-Influence-Entrepreneurial-Process-of-Sri-Lankan-Small-Businesses.pdf
Ward JL (1987). Keeping the Family Business Healthy. San Francisco, CA: Jossey Bass.
Weiss T, Weber K (2017). The Art of Managing Worldviews in Kenya's International Technology Sector. In: Ndemo B, Weiss T (eds.), Digital Kenya. Palgrave Studies of Entrepreneurship in Africa. London: Palgrave Macmillan.
Welter F (2011). Contextualizing entrepreneurship-conceptual challenges and ways forward. Entrepreneurship Theory and Practice 35(1):165-184.
Welter F, Smallbone D (2011). Institutional perspectives on entrepreneurial behavior in challenging environments. Journal of Small Business Management 49(1):107-125.
Yin RK (2003). Case study research: Design and methods. Thousand Oaks, Calif: Sage Publications.
Zahra SA, Dess GG (2001). Entrepreneurship as a field of research: encouraging dialogue and debate. Academy of Management Review 26:8-10.
Zhang J, Wong PK, Soh PH (2003). Network ties, prior knowledge and resource acquisition by high-tech entrepreneurs. Paper presented at the Academy of Management Conference, Seattle, WA, August 1-6 Available at: http://eprints.lancs.ac.uk/46418/