

## ROLE OF ENTREPRENEURSHIP IN THE ECONOMY AND SOCIETY

### -Promoting an entrepreneurial culture in Kenya

One of the inherent characteristics of the concept of entrepreneurship and which hampers research on the subject is that scholars have yet to come up with a unanimous description and explanation for it. One of the first individuals to recognise its importance in economic theory was Richard Cantillon who said that “The farmer is an entrepreneur who promises to pay the landowner, for his farm or land, a fixed sum of money without assurance for the profit he will derive from his enterprise”. It should be noted that other analysts have focused their research on the traits and personal characteristics of entrepreneurs in an attempt to understand and explain entrepreneurship. In the research for the psychological traits of an entrepreneur, McClelland attempts to explain entrepreneurship by the need for achievement. Other studies have also noted other characteristics of successful entrepreneurs like internal locus of control, low aversion to risk taking, aggressiveness, ambition, over-optimism, desire for autonomy, personal values and need for power. From these diverse explanations for entrepreneurship, the role of an entrepreneur can thus be derived.

From the onset, whether an individual is into entrepreneurship for purely profit margins or to promote social value, the fact is that the multiplier effects which will come about as a result of his activities will be highly beneficial to the economy and society. It is important to stress that entrepreneurs are present in all settings, however cultural explanations for a lack of entrepreneurship overlook what people have in common – namely alertness for profit and to improve their general situations. Underdeveloped nations do not lack entrepreneurship. Rather, entrepreneurial activities exist, but are not directed toward productive ends conducive to economic progress.

At this point of directing entrepreneurship activities towards progressive ends is where my personal testimony begins. During my higher education studies at the University of Nairobi (UoN), I was a member of the Students in Free Enterprise (SIFE), a partnership between business and higher education with a view of preparing the next generation of entrepreneurs and business leaders to create a better world for all. University teams are concerned with improving the quality of life and standard of living through projects which

***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***

educate on: Market economics, Financial literacy, Business ethics, Entrepreneurship, Success skills, Environmental sustainability and Team/Project sustainability.

One of the projects that I took part in when I joined the University of Nairobi SIFE (UoN SIFE) team was the Kibera Media House project. This involved reviving a community media house in Kibera and helping set up a journal, Kibera Journal. When we first came into the picture, the media house had been brought to its knees by incessant wrangling between the administration, untrained journalists, lack of funds and donor interference. After a few reconnaissance visits where we got to know about the background of the Kibera Media House, we sourced for well trained journalists from Kibera and trained them on the SIFE pillars. We then helped them develop a sustainable business model which would ensure the sustainability of the Kibera Journal once we pulled out of the project and lastly, we connected them with different business organizations which would be willing to partner with them. Kibera Journal was launched in May 2007 amid much pomp and fanfare. Our hard work paid off as Kibera Journal managed to get Radio Simba to buy advertising space worth Kshs 250,000 for the upcoming editions of the journal. So far, Kibera Journal is still going on strong. In this particular project, we enhanced the flow of information in the community and at the same time enabled them to do it in a way which put some money in their pockets and thus played a part in raising their standards of living. And most importantly of all, it set me firmly on the entrepreneurial path.

Entrepreneurship as a whole contributes to social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs and net increases in real productivity. The jobs created through their activities in turn lead to equitable distribution of income which culminates in higher standards of living for the populace. In this way, the resources available to the government will likewise increase and hence enable it to offer social services like hospitals and schools, develop the infrastructure and keep law and order. To cap it all, the Global Entrepreneurship Monitor Project, a comparative international study assessing entrepreneurship's importance to economies worldwide concluded that the correlation between the level of entrepreneurial activity and economic growth is greater than 70% and all nations with high levels of entrepreneurial activity have above-average rates of economic growth.

***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***

With this in mind, it would be thus prudent to see how we can promote entrepreneurship among the populace so as to tap into the benefits that will accrue from this approach. The SIFE initiative is a step in this direction as it seeks to promote entrepreneurship as an alternative to formal employment. An important aspect that comes out is how the culture of entrepreneurship can be promoted; the fact that university students are the movers of the projects enables them to understand the tenets of entrepreneurship, inculcates the spirit of (social) entrepreneurship in them and imbues in them the option of becoming entrepreneurs and not going into formal employment. This is especially important for a country like Kenya which has over 65% of the population as being youth, of whom 2.5 million are unemployed and who many analysts consider a “ticking time bomb” as a projected increase in their number’s could spark a people’s revolution.

Being a self confessed aspiring entrepreneur, I will use my country Kenya as an example and lay out the constraints that I and my ilk face with the most easily encountered one being bureaucratic procedures in starting a business and corruption in the relevant government offices which consequently eats time and raises the cost of starting a business. Other problems are inadequate infrastructure which raises the cost of doing business and risk of political instability in the run-up to the constitutional referendum to be held in August 2010 which specifically affects the tourism industry. However in my opinion, I believe the greatest impediment to entrepreneurs in a country like Kenya is the lack of a culture which appreciates its role. Just the other day, I went to the Registrar of Companies for a simple name search for a new business that I want to launch with my business partner. Pasted to the main entrance is a huge poster which outlines the services, time frame, amount of fees charged and other procedures. It stated that a name search takes 3 days yet the actual number of days is actually a week. I could just picture the officers coughing and sneezing as they went through old and dusty files to confirm that the name I wanted was free.

Kenya as stated earlier, has a high population which is youthful and obviously, the government can not create jobs for all of them; the private sector if provided with a conducive environment will go a long way in reducing this number but our aim is for the attainment of a middle income status for the Kenyan population by 2030 as per Kenya’s economic blueprint. In order to attain this status, entrepreneurship is the key and the youth are the holders of this key. America is a proper example of how entrepreneurship can move ***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***

a country as their booming entrepreneurial sector is responsible for much of their present economic prosperity. The U.S is among the most “entrepreneurial” nation because American’s believe they have opportunities to start businesses and live in a culture that respects entrepreneurship as an occupation.

I rose through the ranks of UoN SIFE to eventually become the President of UoN SIFE and initiated projects that looked at the long-term and which once completed, would give the team a huge chance of performing well in the SIFE competitions. One of the projects that I initiated was the Kibera Digital Village project. In this ongoing project, we planned to open a cyber café in Kibera which would have ensured that residents would not have to go far in search of a place to access the internet. We worked with Ayany Kibera Youth Self Help Group members and we trained them on all of the SIFE pillars. Our work also attracted the attention of an American venture capitalist who promised to sponsor the project by renovating the building and buying the necessary equipment for efficient running of the cyber café. Our proposal to Microsoft was successful and they granted us software worth more than Kshs 35,000 and a curriculum which we would use to train the members on basic computer skills. Only after sending the business proposal to our “partner” and not getting any response, did our team realise that we had been duped. However, as with all failures that we commit in the business world, I brushed it off as a learning experience and moved forward, an important quality that all entrepreneurs must possess, the ability to be reborn from one’s ashes like the legendary phoenix.

One need only look at companies like Facebook, Twitter, Apple and in Kenya’s case Safaricom to see how entrepreneurship and innovation can transform companies. One of the characteristics that these companies have in common is their ability to see opportunities, seize them and promote innovation as part of their system. Entrepreneurial companies have extraordinary growth over a sustained period and thus impact remarkably on economic growth. In Kenya, Safaricom has put Kenya on the global map due to innovation in mobile telephony and bringing up services that have an impact on a huge number of the populace. Products like M-Pesa, a money transfer service that was the first of its kind in the world and the latest M-Kesho (done in conjunction with Equity Bank) which promises to revolutionise the financial industry in Kenya by allowing all users of its M-Pesa service to operate interest earning bank accounts in their cell phones. This service has ***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***

potential to deliver savings services to millions of poor people worldwide and boost movement of cash in the Kenyan economy.

Due to the many strong arguments for entrepreneurship, promoting an entrepreneurial culture should be encouraged by word and might from the country's leaders. This should be accompanied by directing our education system to deliver individuals with a good combination of specialist and generalist skills. On top of this, the main tenets of entrepreneurship should be a common course for all students so as to equip them with necessary skills like writing a business plan, preparing a proposal to present to investors, how to register a company, general accounting skills and other necessary skills. In order to do this, the Kenyan government must stop trying to feed people fish and instead teach them how to actually fish. This analogy is meant to discredit the new scheme announced in the 2010/2011 Kenyan budget which seeks to create a new revolving fund worth 3.8 billion Kenyan shillings of which 3 billion will be lent out and 800 million for capacity building. The Youth Fund which was set up for the same purpose has been hit by corruption scandals and massive defaults in repayments, which begs the question of whether our leaders are actually working towards recovering the money and attempting to put in place a strategy that will actually work.

The Kenya National Adult Literacy Survey conducted in 2006 by the Kenya National Bureau of Statistics and other key partners registered that 38.5% (7.5 million) of the adult Kenyan population was illiterate and the age cohort 15-19 years recorded a literacy rate of 69.1%. This figures justify the investment in not just the education sector as a whole (this is the current government policy) but placing specific emphasis on equipping this individuals with skills to make them self-reliant. This approach of equipping entrepreneurs has been taken up by Inoorero University (Kenya) which is working on building a culture of creating jobs. They plan to make every graduate a 'creator of jobs' by equipping them as ready-to-go entrepreneurs, irrespective of the subject. "All things we do must promote enterprise," says Prof Henry Thairu, the vice chancellor of the university. "We believe all our students should come out of here to create jobs, not just to seek employment."

Returning to the Americans and how entrepreneurs can further contribute to society, the philanthropic actions of entrepreneurs like Ted Turner's \$ 1 billion to the United Nations or

***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***

foundations like the Kaufmann foundation or Gates foundation were partly triggered by a boom in entrepreneurship in the U.S.A. Furthermore, the reinvestments of successful entrepreneurs has led to the emergence of “angel” investors; entrepreneurs who invest in local businesses which would otherwise not have the capital to expand their businesses. These activities are domino effects and basically increase economic growth and further entrench the entrepreneurial culture as a way of life.

Other than promoting this culture, the government with the help of the private sector should put in place measures which foster human capital mobility between universities and private sector in order to transfer knowledge and ideas, facilitate the entry of new participants with innovative ideas and foster a culture that encourages risk-taking and accepts failure as permissible social and individual norms. On top of this, the government should place emphasis on creating a general institutional framework and making high payoffs to productive entrepreneurship activities as compared to unproductive and evasive activities. Furthermore, governments should increase the use of technology for efficient service delivery, which is by computerising most of the processes it takes to start a business and establishing a one-stop-shop for registering a company (the recent Doing Business Survey in East Africa by the World Bank indicates that it takes two procedures to start a business in Rwanda as compared to 11 in Kenya) and which ultimately cuts the time used in starting a business and make it harder for civil servants to engage in corrupt activities. Educational system should also churn out individuals who have the skills to deal with constant change and who look at their environment with “eyes of opportunity” where the glass is half full rather than half empty. Lastly, women entrepreneurs should also be supported adequately as their contribution can not be down played, in this regard, unique opportunities should be created for women entrepreneurs to network economically and provide growth opportunities for them.

The main share of the 3.8 billion that has been allocated to start a new revolving fund should be channelled through the Youth Fund and the Ministry of Youth Affairs & Sports since they already have the necessary structures in place. The Youth Fund should develop a start-up curriculum which shall contain the building blocks of being successful in business as mentioned earlier. This is mainly to take into account the individuals who do not progress to secondary school and higher education. To promote their work, competitions at the district

***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***

level as well as countrywide level should be held regularly and success stories well publicised so as to encourage others to follow suit. Measures should also be taken to ensure that money is evenly distributed and the management is insulated from outside interference. Community and village polytechnics should also be used to educate those who did not obtain a place in the universities on not only technical skill but also business skills so as to enable them become all-rounded individuals. Finally, it should be noted that a major shift in the thought process of citizens can only succeed if the changes are led by the top leadership of the country. And this entails actually walking the talk instead of paying lip service to the matter at hand. The current case where entrepreneurship is celebrated in reality TV should cease and the above concrete measures taken.

About 50 years ago, Abraham Maslow nailed it when he said that, “Good managers and good enterprises and good products and good communities and good states are all conditions of one another.” As nations sort out their priorities for the coming years, fostering entrepreneurship must be a cornerstone of their economic policy so as to ensure that global change remains their ally and never becomes the enemy.

***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***

## References

- What Role for Entrepreneurship in Economic Development – Peter J. Boettke, 2004 Hayek Fellow, LSE, Oxford University; October 12, 2004
- An Interface between Entrepreneurship and Innovation – New Zealand SMEs Perspective
- Youth Population and Policies in relation to Rural Development in Kenya – George Ouma, German Foundation for World Population (DSW)
- Measuring Literacy: The Kenya National Adult Literacy Survey – Joyce N, Kebathi
- Embracing Innovation: Entrepreneurship and American Economic Growth – National Commission on Entrepreneurship White Paper
- Mwai Kibaki, President of the Republic of Kenya in his Madaraka Day Speech, June 01<sup>st</sup>, 2010.
- University sets target of creating Job Creators – Business Daily, June 16<sup>th</sup>, 2010
- Kenya Economic Update, June 2010 – World Bank
- Socio-Economic Benefits from Entrepreneurship – Hubpages
- The Challenge of Embracing Entrepreneurship – Energizing Entrepreneurs
- New Fund seeks to create New Breed of Entrepreneurs – Daily Nation, June 15<sup>th</sup>, 2010
- Entrepreneurship as Organising – A literature study of Entrepreneurship – Kristian Philipsen, Presented at DRUID Summer Conference June 9-11, Bornholm, Denmark

***Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker***



- Fuelling Educational Entrepreneurship: Addressing the Human Capital Challenge – Frederick M. Hass, America Enterprise Institute and Bryan C. Hassel, Public Impact
- Rwanda overtakes Kenya as business haven in East Africa – Business Daily, May 25<sup>th</sup>, 2010

*Entrepreneurs see change as the norm and as healthy. Usually they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity. – Peter Drucker*