



## Constructs of Successful and Sustainable SME Leadership in East Africa

By

**Dr. Renson Muchiri Mwangi<sup>1\*</sup>, Prof. Samuel Sejjaaka<sup>\*\*</sup>, Dr. Sue  
Canney<sup>#</sup>, Prof. Rosemary Maina<sup>\*</sup>**

**&**

**David Kairo<sup>\*</sup>, Abraham Rotich<sup>\*</sup>, Edward Owino<sup>\*</sup>, Issa Nsereko<sup>##</sup>,  
Rachel Mindra<sup>##</sup>**

### ICBE-RF Research Report N0. 79/13

Investment Climate and Business Environment Research Fund

(ICBE-RF)

[www.trustafrica.org/icbe](http://www.trustafrica.org/icbe)

Dakar, November 2013

*\* KCA University, Kenya*

*\*\*Makerere University Business School, Uganda*

*# Pipal Ltd, Kenya*

*##Makerere University Business School, Uganda*

---

<sup>1</sup>Contact: [muchiri@kca.ac.ke](mailto:muchiri@kca.ac.ke)

## **Abstract**

Despite the markedly increased foreign investment, East African economies remain characterized by low levels of investment and capital formation with high level of attrition amongst indigenous small and medium enterprises. While there is a high failure rate amongst these SMEs, some are beginning to turn the corner and are exhibiting signs of robustness, innovativeness and sustainability. Relying on narrative accounts of successful SMEs leaders in Kenya and Uganda obtained through interviews and focus group discussions, this study sought to construct an account of leadership practices and ascriptions of success for SMEs that had succeeded. The study identified eight leadership constructs characteristic of successful SME leaders in Kenya and Uganda grouped into visioning, building commitment, social capital, personal values, anticipation and resilience, resourcefulness, responsiveness, and entrepreneurial orientation. While these results, on the face value, are apparently not unique, it was in the nuances of the leadership practice that difference was made. In conclusion, the study highlights implications for these findings in relation to policy and leadership practice among SMEs.

**Key words:** Leadership, small and medium enterprises, enterprise success, sustainability

## **Acknowledgement**

This research team is most grateful to TrustAfrica and the International Development Research Centre (IDRC) for funding this project through the Investment Climate and Business Environment Research Fund (ICBE-RF).

Special thanks to KCA University and Makerere University Business School (MUBS) for allowing us to use their resources and giving us time off to conduct this research. Our sincere gratitude to Prof. Noah Midamba, the Vice-Chancellor, KCA University, for unreservedly supporting this team, especially in the dissemination of the results. The team is thankful to the anonymous reviewers who gave input and contributed to much improvement of this report.

Special mention for Dr. Sunday Khan and Madam Facoumba Gueye, for their unrelenting support and keeping us on our toes, we salute you. We extend our gratitude to the resilient participants of this study who sacrificially consented to spare time from their busy schedules and participate in this study. Your stories were inspiring and we believe they will inspire other entrepreneurs who read this report. To you all we say *Asante Sana* [Thank you].

Finally, to all who contributed to the success of this study; *MAY GOD RICHLY BLESS YOU.*

## Table of contents

Abstract.....	iii
Acknowledgement .....	iv
Table of contents.....	v
List of figures.....	vi
List of tables.....	vi
1.0 Introduction.....	7
1.1 Background .....	7
1.2 Statement of the problem .....	8
1.3 Purpose and Objectives .....	9
2.0 Literature Review.....	10
2.1 Role SMEs in Economic Development.....	10
2.2 Factors Affecting SMEs Success .....	11
2.3 SMEs Success and Leadership.....	14
2.4 Conceptual Framework .....	15
3.0 Research Methodology .....	17
3.1 The sample .....	17
3.2 Data collection.....	17
3.3 Data Analysis .....	19
4.0 Findings.....	19
4.1 Building commitment.....	20
4.2 Visioning .....	21
4.3 Anticipation and Resilience .....	23
4.4 Resourcefulness.....	24
4.5 Responsiveness.....	27
4.6 Personal Values .....	27
4.7 Social Capital .....	29
4.8 Entrepreneurial Orientation.....	30
4.9 Other Factors Related to Success of SMEs.....	31
5.0 Discussion .....	34
5.1 Building commitment.....	35
5.2 Visioning .....	36
5.3 Anticipation and Resilience .....	36
5.4 Resourcefulness.....	37
5.5 Responsiveness.....	38
5.6 Personal values.....	39
5.7 Social Capital .....	40
5.8 Entrepreneurial Orientation.....	40
6.0 Conclusions and Implications for Policy .....	41
6.1 Conclusions.....	42
6.2 Policy Recommendations.....	44
References.....	46
Appendix.....	51
Appendix A: questions for the face -to -face interviews.....	51
Appendix B: Codes and Emergent Categories.....	52
Appendix C: Description of Emerging Themes.....	55
Appendix D: World Value survey cultural map (2005 – 2008).....	56

## List of figures

FIGURE 1: Upper Echelons Perspective of Organizations .....	17
FIGURE 2: SME Leadership Model.....	41

## List of tables

TABLE 1: Demographic Profiles of Sampled SMEs .....	18
TABLE 2: Emergent Themes .....	20
TABLE 3: Selected Quotes on Building Commitment.....	22
TABLE 4: Representative Quotes for Visioning .....	23
TABLE 5: Quotes related to Anticipation and Resilience.....	25
TABLE 6: Selected Quotes Related to Resourcefulness .....	26
TABLE 7: Exemplar Quotes for Responsiveness.....	28
TABLE 8: Select Quotes for Personal values.....	29
TABLE 9: Selected Quotes related to Social Capital .....	30
TABLE 10: Illustrative Quotes relating to Entrepreneurial Orientation .....	31

## **1.0 Introduction**

### **1.1 Background**

East African economies, like their Sub-Saharan Africa counterparts, are characterized by low levels of investment and capital formation. For example, the real gross fixed capital formation (GFCF) per capita index for the region in 2005 was below the continental average per capita index (Semboja, 2009). Moreover, despite the high growth potential, the region has one of the highest poverty concentrations in the World (International Fund for Agricultural Development [IFAD], n.d.). In such a depressing situation, the Small and Medium Enterprise (SME) sector is seen as a key player in generation of new jobs and economic development of the region. Indeed, the current business climate, economic and social realities of the region demands urgent public and private investment in developing successful indigenous SME leaders.

The contribution of SMEs to national economies is widely acknowledged. According to Nichter & Goldmark (2009), this contribution is usually higher in developing economies. In the East African region, SMEs reportedly hold the greatest potential of spurring economic growth, entrepreneurship and employment (AfDB/OECD, 2007; Deloitte Consulting Ltd, 2012). For instance, in 2006, Kenyan SMEs were reported to have contributed 50 per cent of all new jobs created (Bowen, Morara & Mureithi, 2009) while in Uganda, SMEs are estimated to contribute 75 per cent of the GDP and providing employment to more than 2.5 million people (AfDB/OECD, 2007; Okello-Obura *et al*, 2008). The dominant role of SMEs in these economies should not come as a surprise given that majority of people in this region see starting a business as means of escaping poverty and unemployment (Rheault & Tortora, 2011).

The crucial importance of SMEs to wealth and employment generation is finally being recognized. For instance, in Kenya, the Micro, and Small Enterprise (MSME) Act (2012) has been enacted by parliament and the Capital Markets Authority (CMA) is finalizing a legal and regulatory framework for a special SME section – the Small and Medium Enterprises Exchange (SMEX), where SMEs can list and access cheaper funds. Development partners and universities have started investing in mentoring programs and business incubators. Moreover, recent movements toward regional integration, and improving economic conditions and business climate appear to have generated some interest from investors. For example, a private equity confidence survey conducted by Deloitte in 2011 reported the launch of six new funds targeting the region with a specific focus on high-growth SMEs. While such attention from investors forebodes good tidings for the region, multinational businesses appear to be thriving better than most indigenous enterprises.

In spite of the increased access to finance and cutting-edge business technologies, there appears to be a high level of attrition amongst indigenous businesses. According to Kenya National Bureau of Statistics (KNBS, 2007, cited in Bowen *et al*, 2009), 60 per cent of Kenyan SMEs fail within one year after startup. Uganda is reported to have one of the highest business attrition rates among the GEM Countries – countries that take part in the GEM

global entrepreneurship studies despite being ranked sixth best in terms of total early-stage-entrepreneurial activity (TEA) (Namatovu *et al*, 2010). The situation is complicated by the changing scenario in the region, which presents indigenous SME businesses with the challenge of growing into an increasingly multi-cultural competitive internal marketplace. A decade ago, research suggested that the stronger growth of non-indigenously owned East African SME's was due to stronger informational and financial networks providing access to credit, information and technology with secondary and tertiary education making a significant positive impact in indigenous businesses (Ramachandran & Shah,1999). With dramatically increased access and use of ICT, more financial mechanisms and opportunities available, emerging entrepreneurial training and changing regulations, what are the leadership skills and practices that will allow more indigenously led SME's to now break through?

Leadership has diversely been associated with positive organizational outcomes (Avolio *et al*, 2009; Engelen *et al*, 2012; Ensley, Hmieleski, & Pearce, 2006; Yang, 2008). Literature suggests existence of various constructs of leadership like transformational leadership, transactional leadership, entrepreneurial leadership, leaders-member exchange (LMX), and shared leadership. Extant leadership studies have preponderantly focused on the effect of specific leadership constructs on organizational outcomes of such as performance, productivity, organizational citizenship and commitment among others. For example, constructs of transformational leadership, entrepreneurial leadership and shared leadership have positively associated with positive organizational outcomes (Ensley *et al*, 2006; Yang, 2008). Most of these studies have majorly focused on more established corporations with less attention being paid to the influence of leadership on success of small and medium enterprises (SMEs). Moreover the studies are largely concentrated in developed economies mostly United States, Europe and Australia. This study focuses on leadership constructs that characterize successful small and medium enterprises in the context of developing economies in East Africa.

## **1.2 Statement of the problem**

Many young Africans view starting their own business as a way of eking out a living with an estimated 20 per cent of those not in business, planning to start one within a year (Rheault & Tortora, 2011). Many attempt startups in a context of not understanding all the demands of leadership, prioritizing and sequencing of management activities, as well as an unclear vision, and sometimes an inability to hire enough skilled labor leading to extended expensive training costs. While there is a high failure rate amongst these SMEs, some are beginning to turn the corner and are exhibiting signs of robustness, innovativeness and sustainability. With SME's providing the engine of growth and innovation in East African economies, there is a burning need to clearly establish what leaders of currently successful SME's think and do to attain and sustain business success.

Previous SME research has focused on defining informal relations (Bigsten *et al* 2000; Elhiraika & Nkuruziza, 2006) and the nature of constraints to formalization with an increasing recognition that there are educational and socioeconomic constraints (For

example, Alby & Auriol, 2011). Other aspects of research have focused on the more well-defined constraints of access to capital (Bowen *et al*, 2009), ability to form strong networks (Bigsten *et al*, 2000) and the impact of specific macroeconomic factors. We therefore know a considerable amount about the determinants of business success/failure of SMEs (Al-Mahrouq, 2010; Indarti and Langenberg, 2004; Lin, 1998; Philip, 2010). We know, for example, that financial, human and social capital, leadership and management contribute to the success or failure of SMEs, especially in the emerging markets. However, while much has been said about importance of financial, human and social capital to the growth and survival of SMEs, less is known, especially in emerging economies, about the leadership fit in the determination of SMEs' success. Although literature ascribes the growing divide between indigenous and non-indigenous East African businesses to differences in access to knowledge and financial resources, constraints in the internal leadership capacity of local SMEs may also have an influence in the determination of the contrasting fortunes (Briggs, 2009).

Despite increased access to finance, improved ICT, mentoring and incubation programs, and slowly improving policies, the research focus on SMEs in East Africa has remained more on why businesses fail than on what those that are succeeding have done to succeed and grow, a key, yet unknown component in the active development of the East African SME sector. In this study, we focus on successful SMEs with an aim of gaining explicit and deeper understanding of the leadership practices of owners/managers in Kenya and Uganda. We seek to recount the experiences of successful owner/managers and construct an account of how have they managed to carve a niche for themselves in the current business environment. By focusing on SMEs that have succeeded, we aim to discover factors and leadership practices critical in molding success and sustainability as opposed to elucidation of why they fail. Without this understanding, many startups and existing enterprises can fail unnecessarily; training and incubation programs can miss the mark while policies may not support the key changes needed, leaving East African SMEs vulnerable to non-indigenous business dominance.

### **1.3 Purpose and Objectives**

While improving the business climate in East Africa, there is need to ensure that SME leaders are equipped to be drivers of innovation and sustainable economic growth. Currently there is scant evidence-based guidance for Kenyan and Ugandan SME leaders on identifying and prioritizing exactly what they need to do to be successful. Research into SMEs in the East African region has majorly focused on growth challenges and causes of their failure. In spite of the acclaimed leadership role in the attainment of enterprise success (Yang, 2008), SMEs research in East Africa has sidestepped it. Consequently, knowledge of how SMEs in East Africa, especially the successful ones, are led is very limited and largely undocumented.

This study sought to uncover constructs of leadership that characterize successful SMEs in East Africa and to illuminate the contribution of such practices to the success and sustainability of these enterprises. To attain this purpose, the researchers interacted with successful SME leaders in Kenya and Uganda through face-to-face interviews and focus group discussions. The specific objectives of the study were to;



- a) Uncover the leadership constructs that characterize of successful SMEs in Kenya and Uganda.
- b) Identify the motivations, core values and vision, skills and experience, and networks possessed by the leaders.
- c) Elucidate the role of contextual cultural factors such as family and collectivism on success and sustainability of SMEs.

## **2.0 Literature Review**

In this section, we highlight the role of SMEs in economic development after which we proceed to review literature on factors that influence SME success. We then shift focus to leadership and its contingency nature from a generic perspective, and the interaction of leadership and entrepreneurial factors in the determination of enterprise success.

### **2.1 Role SMEs in Economic Development**

It is now widely acknowledged that SMEs play a significant role in economic development, especially in developing economies. In least developed countries (LDCs), SMEs play a critical part of poverty alleviation and generation of new employment opportunities (Mead & Liedhol, 1998; Nichter & Goldmark, 2009). There are suggestions that SMEs constitute 90 percent of the enterprises worldwide and account for 50-60 percent of employment (Hobohm, 2001) and that about 25 percent of employment in Africa, outside agriculture, comes from the SME sector. According to Okello-Obura *et al*, (2008), SMEs contribute 75 percent of the GDP in Uganda while Gamser (2003) estimates Kenyan SMEs contributing 40 percent of the country's GDP.

In spite of the broad consensus about the contribution of SMEs to economic growth, empirical evidence on the same is rather weak and at times inconclusive. For example, a study conducted by the Institutional Reform and the Informal Sector (IRIS), commissioned by USAID, found limited correlation between economic growth and prevalence of SMEs (IRIS Center, 2008). However, the IRIS study was inconclusive about the impact of SMEs on economic growth finding strong links between medium enterprises and economic growth but no significant connection with micro and small enterprises. Similar results were obtained by Beck, Demirgüç-Kunt & Levine (2005), who reportedly found a strong association between the relative size of SMEs and GDP per capita growth but found no evidence that SMEs alleviate poverty or decrease income disparities. It is also important to note that there are limited studies examining the causal link between SMEs growth (whether in size or number) and economic growth. Additionally the few studies done have limitations in the form of methodology applied, operational definition for SMEs across countries and measurement criteria for SMEs success. For example, in the IRIS study, the definition of SMEs was based solely on the number of employees and statistical analysis relied on static data that was limited to regression analysis.

In view of these realities, we can take comfort in the fact that the lack of causal links in these studies does not necessarily imply such linkages do not exist. Moreover, in some of these

studies correlational connections between SMEs and economic growth are evident (see for example Beck *et al*, 2005; IRIS Center, 2008). Additionally, the possibility of existence of such linkages via indirect mechanisms, which are hard to detect using direct effects, is a plausible reality. Given the acclaimed role of SMEs, it becomes critically important to understand the mechanisms by which enterprise success is attained and sustained.

One of the limitations in the study of SMEs revolves around having a uniform definition of what constitutes a micro, small or medium enterprise. In an era when regional economies are moving towards regional integration, the adoption of a common definition for SMEs is crucially important. Developing such a unified definition, especially within integrated economic communities, would herald a significant move towards development of an environment salubrious to success and sustainability of SMEs. Moreover, this would be useful in promoting consistency, effectiveness and attenuating distortions of competition (Enterprise and Industry Publications, 2005). However, due to disparities in economic growth patterns, legislature and political inclinations across countries and regions, construction of a common definition has been an elusive exercise. Nevertheless, some commonality exists in the criteria used in defining SMEs with most definitions using the number of employees, assets, annual turnover, annual balance sheet, capital and investment to define SMEs.

In the East African countries, some level of agreement on the criteria for classifying SMEs does exist. In Kenya, the definition of SMEs is based on the number of employees, annual turnover, investment in plant, machinery, equipment and registered capital while in Uganda the definition is based on the number of employees, value of assets (excluding buildings, land and working capital) and annual turnover (Kushnir, Mirmulstein, & Ramalho, 2010). In Kenya, a small enterprise is one with more than 10 but less than 50 employees, an annual turnover between Ksh. 500,000 to Ksh. 5 million (cc US \$ 6,000 – 60,000), with an investment in equipment and registered capital of exceeding Ksh. 5 million but less than Ksh. 20 million (US \$ 60,000 – 240,000). An enterprise with more than 50 but less than 100 employees and with a turnover between Ksh. 5 million (US \$ 60,000) to Ksh. 800 million (cc US\$ 10 million) is classified as a medium enterprise. Uganda defines a small enterprise as a business with 50 employees or less, an annual turnover between Ush. 10 – 50 million (US \$ 4,000 – 20,000) and an asset value not exceeding Ush. 50 million (US \$ 20,000) while a medium enterprise is one that employs 51 – 100 people with an annual turnover of over Ush. 360 million (US \$ 145,000) but not exceeding Ush. 30 billion (US \$ 12 million) (The Republic of Uganda, 2011).

## **2.2 Factors Affecting SMEs Success**

Literature on SMEs is voluminous with attention majorly focused on factors that facilitate or constrain their success and how such success contributes to economic development. The intensity of this interest on SMEs could be ascribed to the widespread belief of the existence of a link between SMEs success and economic growth. Previous research has identified a multiplicity of factors that influence success/failure of SMEs, which can be broadly classified into internal and external factors. Internal factors refer to firm-specific factors such as management skills, human capital, financial management, and organizational demographics

while external factors include macroeconomic factors, political and institutional forces, market opportunities, and socio-cultural factors (Olawale & Garwe, 2010; Thandeka, 2008).

A corpus of SMEs studies, especially in developing countries, has sought to identify specific factors that affect their success and sustainability. According to Al-Mahrouq (2010), the significance of these factors varies from country to country. For example, Al-Mahrouq (2010) identified five factors that influence success of Jordanian SMEs to be technical procedures and technology, firm structure, financial structure, marketing, productivity and human resource structure. However, the study that used self-reports and basic descriptive statistics to rank the relative importance of the success variables was not clear what criterion was used to measure business success and how these factors influenced attainment of success. In another study on success factors of founding Malaysian entrepreneurs, Rose, Kumar & Yen (2006) found personal initiative, education, working experience, managerial and technical skills, and parents' involvement in business to be critical determinants of success. Their study used venture growth to measure enterprise success. They used correlational analysis to test the significance of the relationship between venture growth and selected success variables. The outcome of the analysis was triangulated using semi-structured interviews with founding entrepreneurs. In similar study conducted in Bangladesh, Philip (2010) reported finding a significant relationship between SMEs success and manner of doing business, management know-how, product and services, and external environment. Philip's study applied factor analysis to extract the success factors and regression analysis to examine the effects of extracted factors on business success. Business success was measured using self-reports of entrepreneurs' perceived business success, which raises questions about the objectivity of such a measure. Lin (1998) used case survey methodology to unveil success characteristics of Taiwanese SMEs. Using Leavitt's (1964, cited in Lin, 1998) model of structure, technology and people, Lin bifurcated success factors into "soft" (people-linked) and "hard" (structure and technology) issues. Lin's study found that the founder's management skills, customer focus and resource creation were more essential than technical skills in attaining SMEs success.

In Africa, a number of studies on SMEs have inquired into the causes of business failure. For example, Bowen *et al* (2009) conducted an exploratory study on the challenges of micro and small businesses in Kenya. They reportedly found micro and small enterprises facing a multiple challenges including increased competition in the market place, insecurity, debt management problems, inadequate working capital, and lack of innovation. A similar study in Uganda, Tushabomwe-Kazooba (2006) concluded that political, social, and economic factors as well as poor management were causes of small business failure. Briggs (2009), Temtime & Pansiri (2004) and Olawale & Garwe (2010) reported similar results in their studies in Uganda, Botswana and South Africa respectively. In a study of conducted in five African countries, Frese *et al* (2000) reported finding evidence linking enterprise success to entrepreneurial orientation, personal initiative, strategy, and formalization status. Apparently most African studies on SMEs focus on the causes of failure and less is said about successful enterprises, an observation that could be attributed to the rampant mortality of SMEs in many African countries. Generally, factors affecting SMEs success include demographic traits of

the organization and founder (Rose, Kumar & Yen, 2006; Thandeka, 2008), social capital (Batjargal, 2003; Khayesi, 2011), personality traits of the founder (Frese *et al*, 2000), and firm specific factors like human capital, innovation, management and technical skills (Lin, 1998; Olawale & Garwe, 2010; Philip, 2010; Thandeka, 2008).

Most of these studies, with exception of a few, adopt a descriptive research approach. While the approach offers useful insights into the state of affairs in the SME sector across various regions, it hardly reveals the mechanisms and the processes through which these factors influence enterprise success. Moreover, such an approach though useful in capturing the correlational relationships, fails to capture the influence effect sizes the factors have on business success/failure. For instance, we know that leadership skills are important in achievement of business success, but we know less about the exact impact and the influence mechanisms of such skills. For example, what proportion of SMEs' success can be ascribed to leadership? Better still, how does leadership function to produce enterprise success? What mechanisms/processes are involved? Answers to such questions can hardly be found in descriptive studies ubiquitous in most studies on SMEs.

Majority of studies on SMEs also suffer from a lack of unified criteria of measuring business success. Measures of business success can be categorized into a) performance denominated measures e.g. profits, turnover, number of employees among others, b) time-related to capture survival and sustainability e.g. firm age, and c) non-quantitative measures such as satisfaction and reputation. In most instances, quantitative performance measures, such as profitability, annual turnover, and return on investment/equity and growth in the number of employees are used to measure business success. However, according to Walker & Brown (2004), small businesses use both financial and non-financial measures to judge the success of their enterprises. Indeed Walker and Brown report finding non-financial measures of success, for example job satisfaction, independence and flexible lifestyle, being more popular with small business owners/managers higher than financial measures. Consequently, while financial measures are popular with SMEs literature, non-financial measures appear to resonate better with the owners/managers of SMEs.

Nevertheless, non-financial measures, due to their idiosyncratic nature coupled with difficulties of quantifying them, have major flaw of delinking enterprise success from other sectors of the economy. On the other hand using financial measures, especially in Africa, is direly constrained by lack of proper record keeping, fear of disclosure occasioned by respondents' mistrust of researchers, and where such disclosure occurs, the threat of social desirability bias looms large (Sejjaaka, 2011). In spite of these difficulties a number studies in Africa have suggested the use age of firm, sales, number of employees, level of formalism and succession planning (see for example Owusu-Ansah, 1998; Sejjaaka, 2011; Witt, 2004) as reasonable measures of SME success. This study, for pragmatic reasons, opted to use number of employees, age of the firm and annual turnover to measure enterprise success and sustainability. Pragmatic since it is easy for a business owner to recall the exact number of employees they have and to give a rough estimate of the business' annual turnover.

### 2.3 SMEs Success and Leadership

Effective leadership is thought to be crucial in the attainment of organizational success and more importantly in the sustainability and success of SMEs. While research shows that the possession of certain traits alone does not guarantee leadership success, there is evidence, especially in Western literature, that effective leaders are different from other people in certain key aspects. According to Kirkpatrick and Locke (1996), key leadership traits include drive (a broad term, which includes achievement, motivation, ambition, energy, tenacity, and initiative); leadership motivation (the desire to lead but not to seek power as an end in itself); honesty and integrity; self-confidence (which is associated with emotional stability); cognitive ability; and knowledge of the business.

Despite the general acceptance of the importance of leadership in organizational success, it has been difficult to construct a universally accepted framework of the leadership concept especially taking into account its culturally contingent nature. Although there are certain aspects of leadership that are universal, House *et al* (2004), in the GLOBE project, report finding culturally unique forces influential to leadership influence, behavior, status and attributes. For example, in some cultural contexts, good leadership is associated with assertiveness, confidence and risk-taking while in others it conjures images of humility, morality, and pragmatism.

According to Jackson *et al* (2008), SMEs' success is linked to alignment of management practices to the local context. Jackson and colleagues argue that organizations, SMEs included, are mirrors of societal values of the localities they are domiciled, a position supported by Dickson, BeShears and Gupta (2004). Consequently, SMEs may find success difficult to attain when management practices are at variance with the local context. Should we expect the same to apply to leadership? Dickson *et al* (2004) suggest that organizational leaders espouse values that reflect societal values of the communities they live in. We would thus expect the local context to moderate leadership's influence of SME success such that the more the leadership is aligned to the local context the higher the likelihood of enterprise success. For instance, in Lin's (1998) study successful SMEs had greater emphasis on people-related as opposed to structure and technology issues. The implication of this result is that beyond investment in structure (complexity, formalization, organization design and redesign) and technology (modernization, automation and innovations), employees' affective needs e.g. attitudes, satisfying their growth needs, play a critical role in shaping enterprise success. Lin's findings are significant especially for SMEs that operate within communities where collectivism – a common characteristic in most African communities – rather individualism is emphasized.

Success in the Western context is normally based on value addition to the bottom-line and enhancement of shareholders' wealth (Jackson, 2002). This perspective treats people as instruments or means to achieve the end, a view that becomes problematic when extended to non-Western contexts where collectivism is more prevalent. As Walker & Brown (2004) found in their study, success as defined by bottom-line based financial measures is not necessarily the motive of all SMEs. In some cases, success is judged on non-financial

measures such as contribution to the immediate community and personal satisfaction among others. Jackson *et al* (2008), in a study of management practices of Kenyan SMEs, also found that SMEs' success was not only based on the bottom-line outcome, but also encompassed benefits derived by extended families. As Lin explains, although management systems in these communities may resemble their Western counterparts, differences in their approach to competition and interpersonal relationships exist. Jackson *et al* (2008) used the term "insider knowledge" in reference to the knowledge required by managers of enterprises of what works or does not work in the local context. In the leadership context, such insider knowledge may be an important factor in alignment of leadership styles and practices to the local context and could be influential in the sustainability and success of SMEs.

## **2.4 Conceptual Framework**

The field of leadership has evolved gradually and progressively from personality and trait theories to behavioral and situational leadership theories (Avolio, Walumbwa, & Weber, 2009). Personality trait theories ascribe superior group and organizational performance to individuals with exceptional abilities and skills to influence, motivate and direct others to the path of success. This stream of thought thus seeks to identify individual attributes, abilities and styles that define these superordinate personalities (Spillane, Halverson & Diamond, 2004). Though popular, this approach has faced criticism for its ascription of group success to individual agency. Critics argue that such collective achievement is only possible through collaborative efforts of the members making it erroneous to associate success with a single individual.

Such criticisms have seen the field evolve to include contingencies, contextual and situational factors, and leadership behaviors such as charisma and team-oriented leadership perspectives (Avolio *et al*, 2009). The discussion has thus shifted to focus, on not only the individual agency of the leader, but also organizational context and culture as well as behaviors of organizational members (Avolio *et al*, 2009). Recent conversations have embraced such concepts as distributed – in reference to sharing of leadership among organizational members (Gronn, 2000; Spillane *et al*, 2004) and complexity leadership (Uhl-Bien *et al*, 2007) leadership. In spite of these developments, behavioral and situational leadership paradigms continue to dominate the conversation. While behavioral leadership theories focus on actions, rather than traits, of the leader that influence and direct organization members to attainment of success, situational and contingency perspectives of leadership have placed greater emphasis on the environment and context of leadership practice.

In the field of entrepreneurship, particularly within the SMEs sector, the concept of leadership has received less attention. SMEs represent a unique cluster of organizations normally dominated by founders, with limited resources and operating in highly volatile and competitive environments. Success and sustainability therefore requires exceptional effort from role players creating a dire need for extra-ordinary leadership capability. Despite this reality, most studies have preponderantly focused on leadership in large corporations while paying little interest on the applicability of extant leadership theories in the context of SMEs. What accounts for this apparent neglect? Either leadership scholars do not see uniqueness in

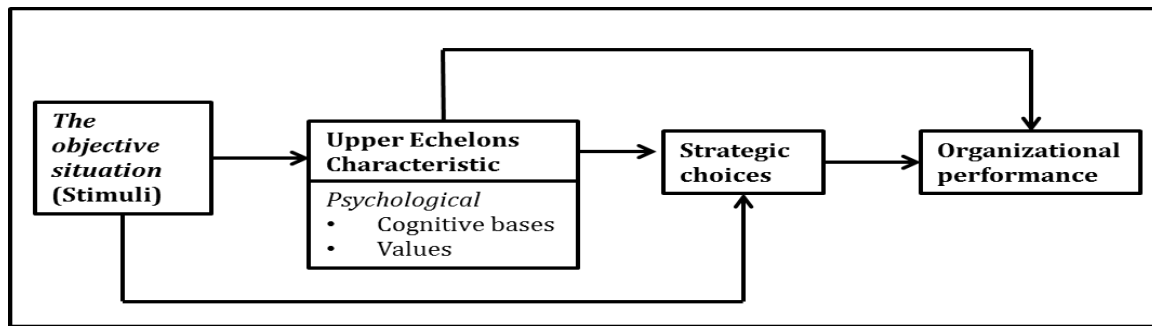
leadership of SMEs to warrant focused attention different from other organizational contexts or if they do, then they probably view the context too narrow to be given any special treatment. While we do not root for special treatment of SMEs leadership outside the established leadership models, there is need for empirical investigation of the efficacy of existing leadership theories in determination of success and sustainability of SMEs.

Developments in the fields of entrepreneurship and leadership have seen the emergence of the concept of entrepreneurial leadership. A construct that draws upon concepts of entrepreneurial orientation and transformational leadership to define entrepreneurial orientation (Engelen *et al*, 2010; Gupta, Macmillan & Surie, 2004). It emphasizes opportunity – and advantage-seeking behaviors by embracing higher tolerance to risk, being proactive and encouraging innovative (Chen, 2007; Wang, Tee & Ahmed, 2012). Entrepreneurial leadership has been variously associated with better organizational performance particularly in the context where competition and volatility are high (Ireland, Hitt & Sirmon, 2003; Gupta *et al*, 2004). Given the operational environment of SMEs, especially in the East Africa region, which is characterized by high levels of uncertainty and competition, entrepreneurial leadership appears to resonate with SME's success and sustainability.

In explicating the constructs SMEs' leadership, this study relies on two theoretical perspectives. First is the resource-based view (RBV) (Barney, 1991; Newbert, 2007) and secondly the upper echelons (UE) perspective (Daily *et al*, 2004; Hambrick & Mason, 1984). The RBV postulates organization growth and sustainability to be a function of resources in its possession. An organization can create a competitive advantage if the resources available to it are rare and valuable while a sustainable competitive advantage may be achieved when the resources are non-substitutable and imitable (Ireland *et al*, 2003). Within the RBV perspective, we view leadership as an intangible resource in the organization. For SMEs, which have to adapt constantly to change and aggressively seek new opportunities to survive, leadership becomes an increasingly valuable resource in terms of nurturing innovation, taking calculated risks and being proactive. Having an appropriate leadership fit in a SME can therefore create a sustainable competitive advantage thus enhancing the probability of success and survival.

The UE perspective posits that top management teams (for this study, SME leaders) influence organizational outcomes (Hambrick & Mason, 1984). This influence, as indicated in Hambrick & Mason's (1984) model in figure 1 below, is mediated by the leaders' strategic choices that are driven by their values and cognitive bases such as prior entrepreneurial experience. Within this theoretical framework, it becomes increasingly important to understand what successful SME leaders do and how they behave to influence success and sustainability of their enterprises.

**FIGURE 1:** Upper Echelons Perspective of Organizations



Source: Hambrick & Mason (1984)

### 3.0 Research Methodology

#### 3.1 The sample

The study participants were drawn from successful SME leaders in Kenya and Uganda. We targeted successful SME entrepreneurs to elicit narratives and ascriptions of success. As documented by SMEs studies (see for example, Bowen *et al*, 2009; Namatovu *et al*, 2010), most SMEs in East Africa, particularly indigenous ones, hardly last beyond three years. Moreover, majority of these SMEs are survival outfits employing less than five people and annual income below Kes. 5 million (USD 60,000). With this hindsight, this study classified a SME to be successful if it had been in operation for at least five years, had at least 10 employees and an annual turnover approximately USD 125,000 and above. The sampled SMEs were drawn from various sectors including education, ICT, hospitality, construction and manufacturing as shown in table 1 below.

The study participants were identified through the SMEs social and professional networks. This approach was deemed appropriate in order to break down the barriers of mistrust, which could have hampered the respondent's willingness to share their success stories. The respondents' were first contacted via telephone calls and requested to participate in the study. Follow up calls to the respondents who consented to be interviewed were made to schedule the interviews. In total, 39 SME entrepreneurs consented to be interviewed or to participate in focus group discussions.

#### 3.2 Data collection

Face-to-face interviews and focus group discussions were used to generate success narratives from the successful SME leaders. All interviews and focus group discussions were digitally recorded. However, recording was only done after consent from the participants. All participants agreed to be recorded after assurance that information disclosed would be for research purposes only. Focus group discussions were held prior to conducting the interviews, where the research teams listened and recorded views and discussions of groups of successful SMEs leaders as they debated on what had made their businesses succeed where others had failed. Each country's principal investigator moderated the focus group discussions with assistance from the co-investigators. The focus groups were held in quiet



and private settings, which gave the participants confidence and freedom to debate. The focus group discussions lasted approximately two (2) hours.

**TABLE 1: Demographic Profiles of Sampled SMEs**

	<b>Annual turnover (USD '000)</b>	<b>Industry type</b>	<b>No. of employees</b>	<b>Years in Operation</b>	<b>Country</b>
FGD01	N/A	N/A	N/A	N/A	Kenya
FGD02	N/A	N/A	N/A	N/A	Uganda
FGD03	N/A	N/A	N/A	N/A	Kenya
FGD04	N/A	N/A	N/A	N/A	Kenya
Interview01	600+	ICT	10-50	10+	Kenya
Interview02	600+	Construction & real estate	50-100	5-10	Kenya
Interview03	600+	Medical Services & Cosmetics	100+	10+	Kenya
Interview04	600+	Education	50-100	10+	Kenya
Interview05	120-600	Film & photography	10-50	10+	Kenya
Interview06	600+	Food and beverage	100+	5-10	Kenya
Interview07	120-600	Manufacturing	10-50	10+	Kenya
Interview08	<120	Transport	10-50	10+	Kenya
Interview09	120-600	Construction & real estate	10-50	10+	Kenya
Interview10	600+	Manufacturing	50-100	10+	Kenya
Interview11	120-600	Auto services	<10	10+	Kenya
Interview12	600+	Auto services	<10	10+	Kenya
Interview13	600+	Financial services	100+	10+	Kenya
Interview14	600+	Manufacturing	10-50	10+	Uganda
Interview15	600+	Food and beverage	100+	10+	Uganda
Interview16	600+	Construction & real estate	10-50	10+	Uganda
Interview17	600+	Retail business	50-100	10+	Uganda
Interview18	600+	Food and beverage	100+	10+	Uganda
Interview19	600+	Food and beverage	50-100	10+	Uganda
Interview20	600+	Tourism & hospitality	100+	10+	Uganda
Interview21	600+	Clothing and Textile	100+	10+	Uganda
Interview22	600+	Agriculture	100+	10+	Uganda
Interview23	<120	Tourism & hospitality	10-50	10+	Uganda
Interview24	600+	Training	10-50	10+	Kenya

For the interviews, an interview protocol was used to guide the interviews. The interview questions were designed to elicit success stories from the participating SME entrepreneurs. Development of the interview protocol involved drafting interview questions, and holding brainstorming sessions among the team of researchers in Nairobi, Kenya and Kampala, Uganda. The brainstorming sessions involved reading the interview questions aloud and allowing the group to reflect and express views on the clarity and validity of the questions. After the focus group discussions, some adjustments were made to the questions to capture emerging themes. The interview questions used in the study are presented in appendix A.

The interview process involved recording of the conversations and taking notes. Interviews were conducted in a private setting where the participants felt free to share their stories and express themselves. Every effort was made to make the interview environment friendly to eliminate barriers of trust. For instance, in one Kenyan interview, the participant appeared tense and withdrawn when the interview began. On noticing this, the interviewer noticed that his name coincided with that of a colleague he had worked with earlier. The interviewer then made a mention of that fact and after some few exchanges learnt that the former colleague was the participant's brother. Immediately the participant brightened and opened up.

The face-to-face interviews lasted between one hour to one and half hours. This exercise yielded 24 interviews were conducted plus four focus group discussions that involved 39 successful SMEs leaders in Kenya and Uganda. The interviews and focus group discussions resulted with over 700 pages of transcribed data.

### **3.3 Data Analysis**

Data analysis started with the reading of the field notes taken during interviews. The activity of reading and analysis field notes started immediately after the first focus group discussion was held and continued throughout the data collection and analysis process. After recording and transcribing of interviews, the principal investigators and co-investigators repeatedly read the transcriptions and listened to the recordings. Data analysis of the transcripts, which involved breaking down the data through a process of open coding, was done using Nvivo software. The open codes were grouped into different categories and sub-categories. The categories and sub-categories were examined further to identify the emergent concepts. Reading the transcripts multiple times and referring back to literature, the researchers drew contrasts and comparisons to emerging concepts and labeled them.

For the purposes of reliability and validity, there were three people coding the data independently. The extent of agreement in the coding was measured using the Kappa coefficient that yielded an inter-coder reliability coefficient of 78.5%. A result, which according to Thompson *et al* (2004), indicated substantive agreement among the coders. Further, after data coding and theming was complete, the research team – comprised of nine members – held a conference to interrogate and critically examine the emergent codes. At this stage, some categories were merged, labels of some themes and categories were changed and in some instances themes expanded to include additional categories.

The data analysis exercise resulted in 1095 open codes that were grouped into 235 categories that were later classified into 16 emergent themes. The list of categories emergent categories, the numbers of open codes assigned and number of sources coded at those categories are shown in appendix B.

### **4.0 Findings**

This chapter reports on the constructs that emerged from this qualitative research on already successful SME's in Kenya and Uganda. Our analysis of data resulted in sixteen constructs, eight of which were classified to be leadership constructs and eight other constructs that were closely linked to the SMEs' success. Table 2 provides a summary of the resulting construct, number of sources coded and the number of open codes associated with each construct while descriptions of the constructs are provided in appendix C. In the section that below, the study findings are discussed in more details as well as evidence obtained from the analyzed data sources presented.

**TABLE 2: Emergent Themes**

	<b>Emergent Themes</b>	<b>No. of Sources Coded</b>	<b>No. of Open Codes</b>
Leadership Constructs	Building commitment	25	215
	Resourcefulness	25	144
	Anticipation & Resilience	24	105
	Responsiveness	25	83
	Personal values	22	79
	Visioning	18	59
	Social capital	21	55
	Entrepreneurial orientation	15	66
Other constructs related to SMEs' success	Organization	16	54
	Experience with relatives	12	44
	Employee qualities	13	37
	Family support	16	36
	Locating self before success	10	33
	Source of funds	17	31
	Reason for starting business	14	28
	Challenges in business	8	26
<b>Total</b>			<b>1095</b>

#### **4.1 Building commitment**

One of the findings from this study was that successful SMEs leaders in the targeted East African nations, deliberately and continually sought to inspire their employees to higher levels of commitment. Twenty-five out of the twenty-eight sources indicated engaging in endeavors and practices aimed at enhancing the employees' commitment. From these leaders there were narratives on efforts made to build employees' commitment by empowering them and making them feel they own the organization.

To empower their employees, the leaders reported delegating to them responsibilities, equipping them with pertinent skills, giving them room or "their own space" – as one participant put it – to work, allowing them to share ideas on how they think the organization should work, encouraging teamwork and involving them in the decision-making process. Moreover, Some of these explained how they purposively sought to bring the best out of their employees by "reshaping the perceptions" and helping them remove what Gupta *et al*, (2004) calls "self-imposed limits". To attain this the SME leaders challenged their employees to do more, gave them room to work freely and make decisions, and even rotated some in different roles to identify their strengths.

Leaders in this study also narrated how they promoted employees' ownership and sense of belonging in the organization. This they did by giving incentives, paying and treating them well, maintaining friendly but a mutually respectful relationship, creating an atmosphere of "familiness", demonstrating trust towards them, and ensuring that they were adequately and promptly compensated for their efforts. For instance, some leaders recounted how they purposefully sought to promote ownership by making them feel special, relating with them as if they were family and showing compassion. Table 3 below summarizes some of narrative segments relating to this construct.

## 4.2 Visioning

Majority of the successful SME leaders made it clear that for a leader to succeed, having a clear vision was critically significant. This leadership construct, which was labeled visioning involved creation, articulation, sharing and demonstration that it is a vision “worthy of persistence” (Pinchott, 1994 in Gupta *et al*, 2004). This construct had three categories namely; framing the challenge, inculcating organizational culture and creation and articulation of the vision. Creation and articulation of the vision referred to possession, selling and setting a clear direction for the vision while inculcating an organizational culture involved creation of an organizational culture and enculturation of the same through various means such as training, mentorship and induction. Framing the challenge referred to the manner leaders presented themselves to stakeholders when promoting their entrepreneurial.

To demonstrate the worthiness of the vision, SME leaders maintained focused attention on the vision and dedicated personal and energy to galvanize support for it among employees and other stakeholders. They purposively prioritized and persistently shared and sold the vision to the employees. Some of them talked of “hammering the big picture” and referred selling the vision as the “magic” that makes the difference. Some of the leaders recalled how they made effort to connect their vision with the employees’ dreams while others mentioned training, mentorship and induction as some of the ways they used to sell the vision. Many of these leaders, in their effort to galvanize support, maintained with regularity a positive attitude and demonstrated strength and fortitude even in bleak circumstances and situations. Some of the exemplary quotes obtained from sample are presented in table 4.

**TABLE 3: Selected Quotes on Building Commitment**

Category	Sub-category	Selected quotes
Promoting sense of belonging and ownership	Welcoming work environment	You need to create a situation where the staff feel that this is a place to be, they have to be happy to wake up in the morning to rush here, to work late, to do more than they need to do, maybe after hours, by the aspect of belonging. (INTERVIEW 2)
	Secure work environment	Make sure they feel secure, secure, so that their creativity can come out. (INTERVIEW 1)
	Stimulating work environment	My role as a leader here would be to create an atmosphere of achieving something. Different people have different desires to achieve things and our job is to see what we can do to give that reign to them and say, you come here you deliver your best. (INTERVIEW 4)
	Friendly work environment	In my place there is no worker, everybody has to call me Zack [first name], and I encourage everybody to be called by that. (FDG 1)
	“Familianness”	Life is not just coming here working getting paid and going home, that’s not what it is. It is coming here and building a relationship or building a family, and building it so the people also understand that I have got to do the right things also, and I will also get an opportunity. (INTERVIEW 4)
	“Familianness”	So that’s how, that’s how we are a family, that our relationship is not just here, even outside they are free to come and share with me their experiences. (Interview 5)
	Respect employees	One thing that brings the best in my employees is you just have a human heart. Make them respect you, without fearing you, you know how that is. (INTERVIEW 1)
	Pay staff well and promptly	If you want the best work out of them, pay them a better salary. (INTERVIEW 16)
	Team work	The mentality that I want indoctrinated in the team, where we are here as one team, the same goal, any part of us can, it doesn’t matter how good food we have, if the house keeping department lets us down we end up losing. (FDG 1)
Empowering employees	Delegating responsibility	Every head of a department is a professional and he is left to perform his or her duty professionally. (FDG 4)
	Equipping with skills	So for me what I decided was ok, I have a small core staff; I don’t want to grow it beyond where it is. But I will train well so that they can perform, and I will also pay them well. (INTERVIEW 2)
	Freedom to work	I give you the leeway to work within your space. So I think the most important is the big picture, you give them the leeway to work within particular space. (INTERVIEW 1)
	Involvement in decision making	If you want to build and grow the right people, you must empower them in terms of enabling them to make decisions. And not just decisions, critical decisions, so that they know that here I am needed because I am making a decision which is making a difference every day. (FDG 2)
	Make staff responsible	Allowing people to mature, you have to give them freedom to build themselves into their positions and allowing them to become responsible in their positions being accountable and responsible for their actions. (INTERVIEW 19)
	trusting employees	If he [employee] says it is good, and also that’s about confidence, if he comes and tells me the product is good, I will go with it. (INTERVIEW 2)
	high expectations	[What] I found out, if I work with [an] average kind of people and then I begin to show them that am expecting very high output, very high standards, my expectations of you. [Then I tell you] "I think that you are going to deliver and think that you have more potential than you realize". Then over time, they begin to deliver just that. (FDG 2)
	Push for more	If they thought they could achieve on a scale of one to ten, if they could achieve one and you help them think differently, to reach for the stars and achieve a ten. So it’s giving an opportunity to raise the level of a person to heights they never thought they could achieve. Throw the problem to them, throw them to the deep end, and once they find the solutions themselves, which is what excites them. (INTERVIEW 3)

**TABLE 4: Representative Quotes for Visioning**

Category	Sub-category	Quotes
Framing the Challenge	Demonstrated commitment	Another thing I can say is having the love for your business as your first priority and giving it all your time. (FGD 3)
	Role modeling	Now once your staff know that, then they start learning to do the same. So that whatever challenges that they are facing, they then learn to deal with them positively. (INTERVIEW 2)
	Stay positive	So for me I have always presented myself as been very positive. And saying it's possible. (FGD 1)
	Assembling parts	It's like a car assembly plant, you get a gear box, you get an engine, you get this, you get this, you get that, eventually you build a whole car. And that is what business is all about, as an entrepreneur and as a general manager, you bring in all the pieces put it together and say here is a finished product. So success is a finished product. (INTERVIEW 4)
	Self-belief	I always think big, plan big and always believe that everything can be done the fact that nothing is hard when you are determined. (INTERVIEW 15)
Inculcating organizational culture	Training	So everything is about training and therefore you as a job creator, you are supposed to train your employees such that in turn, they are supposed to understand what you want, must have the same vision, mission and are supposed to keep things going but not to leave everything to you in your hands. (INTERVIEW 15)
	Creation of culture	So you know you need to have a culture of the school you know you have to develop a culture such that the person coming in will enter into that culture. (FGD 4)
	Mentorship	All you have to do is make sure you get the first child right, and if you do that, the first child will tell all the other children, daddy doesn't like this mommy doesn't like this you can't do this. So that's exactly what I do over here, I make sure all the first few guys know my culture and what I think and how I think, the rest of the guys tell everybody else. (INTERVIEW 1)
	Orientation	So this new employee will go through all those departments to get orientation and to know what is going on in the institution. (FGD 4)
	Induction	What we do when we recruit, we tell you what we stand for. (INTERVIEW 17)
	Training	One of the rules we have in here, which we teach our staff, is [we have] has no problems, none, [we have] has challenges. (INTERVIEW 2)
	Creation and articulation of vision	Selling the vision
	Clear direction	Firstly, my employees must know what I believe in, my vision, where I am going, what am thinking about five years from now, and ten years from now. (FGD 2)
	Possessing vision	Small money can grow you if you have a vision. (INTERVIEW 23)
	Selling the vision	The magic then is to be able to sell my dream and vision at the inception and push that over time. It's to be able to sell that and be patient. (FGD 2)
	Share vision	It was a context of showing them a broad scheme of what we are doing, we have shared with them the vision, the mission and what we are trying to accomplish. (INTERVIEW 22)
	Possessing vision	So I think it's the vision that one day I would want to be like this other shop. This has driven me very much and it has not been very easy but the vision that one day i want to have a bigger shop, this has been driving me all through. (INTERVIEW 11)
	Selling the vision	So the big picture is very important, especially the younger, you got to keep hammering the big picture. Every two-three months, you must say, how are we doing, where are we doing, see what's happening. Otherwise, you are the face of the company. (INTERVIEW 1)

### 4.3 Anticipation and Resilience

SMEs leaders in this study were found to anticipate uncertainties and threats, carefully calculated their moves on how to overcome them and whenever failure occurred, never gave up but saw it as a lesson learnt then moved on. More importantly, these leaders were keen to protect their supporters, particularly the employees, from the vagaries of uncertainties and the paralysis that accompanied them. This behavior was observed in twenty-four of the twenty-

eight sources. This construct was associated with entrepreneurial leadership sub-constructs of absorbing uncertainty, path clearing (Gupta *et al*, 2004) and resilience.

Absorbing uncertainty meant that leaders took personal responsibility for risk exposure. In their endeavor to dissolve potential uncertainties and threats, these leaders narrated how they employed variety of techniques such as shouldering responsibility – “the buck stops with me”, underwriting risky ventures to sustain stakeholder support, and giving employees room to make mistakes. Path clearing referred to efforts and actions taken by the leaders to eliminate obstacles that had potential to impede attainment of organizational goals. Such actions included negotiating and standing for their rights when they knew they were right, overcoming pressures from relatives, selective hiring and vetting to ensure recruitment of the right people, and firing unproductive employees who failed to subscribe to the entrepreneurial “dream”.

Majority of the study participants confessed having failed at least once in their earlier attempts in business. However, instead of mourning and mulling over the loss, they treated those failures as learning opportunity and used those lessons as launch pads for success. This behavior was observable even when they dealt with mistakes made by employees where they encouraged the employees to learn from those mistakes. Representative quotes from the study participant related to this construct are presented in table 5.

#### **4.4 Resourcefulness**

Another finding that the study found to essential in the success of the SMEs was the leaders’ resourcefulness. This was coded in twenty-five out of the twenty-eight sources studied. As indicated in table 6 below, narrations from these leaders mentioned the importance of remaining competitive in business, understanding the business, and being innovative. They also talked of how their personal involvement in and hands-on knowledge of the business had helped them succeed. They told stories on how possession of technical and managerial skills – which at times required them to go back to school to acquire them – had contributed to the attainment of success. There were accounts from some of the leaders of how hands-on engagement required them to multi-task to assure continuity and survival of the business.

To remain competitive, the participants recounted how they had worked with intensity to create and promote their brands. Some explained how they differentiated their products through efficient execution, insistence on supplying superior quality and unique products while others emphasized the significance of building trusting relationship with clients and suppliers. Moreover, number of them revealed how they devised strategies such seeking partnerships with more established enterprises, remained undistractedly focused on the core business and ensured that profits earned were re-invested in the business. Moreover, to enhance survival chances of their enterprises, these leaders turned to inventing new ideas, for example, coming up with a unique recruitment model that fits the business cycle or even improvising a broken down truck to be a warehouse.

**TABLE 5: Quotes related to Anticipation and Resilience**

Category	Sub-category	Quotes
Absorbing uncertainty	Room for mistakes	The test is on all that, and me, to be able to expect and to nurture and allow them to make mistakes and to pull through with them over time. (FGD 2)
	Room for mistakes	[if] you make a mess, what I always tell the guy is, "that's how much it has cost us to train you", if you messed a batch worth 500,000 that's training, because we don't expect it to occur again. Because if you quarrel and its already spoilt is it helping anyone, but if you see it from a positive light and encourage him to see check on where the mistake was. (FGD 1)
	Shouldering responsibility	So I told him, what we do, let me risk, the adverts are mine, I will do brochures, nobody had done brochures in this country. (INTERVIEW 2)
	Shouldering responsibility	All those vagaries in business and what have you, the buck stops [with] me. And when something goes wrong in my business, I don't blame anybody. I blame myself. (INTERVIEW 7)
	Shouldering responsibility	What I mean is that when am cheated, I don't have to transfer my cheating to the manufacturer and suppliers. I therefore have to look for money and pay the supplier so as to sustain my job. (INTERVIEW 17)
Path clearing	Negotiation	I approached these fellows on a talking taking tea together so one of them listened to me and we became friends then he told me he was going to assist me. (INTERVIEW 8)
	Overcoming relatives' pressure	You know even at the point that you are raising money from family relative and friends, you must make it very clear you don't just go and say give me money I will return to you. It must be a very clear understanding it might not be written down, but it must a very clear understanding from the outset that you are giving me 10,000 shillings I going to return it as 15,000 shillings. Which means very clearly somebody is seeing the benefit out of it. (FGD 2)
	Overcoming relatives' pressure	what I do with relatives is I get a friend of mine who owns another company, because you know those things come, please help us our daughter our son, I say no problem, I give them those guys and tell them even you if you have a relative, refer them to me I see what I do. (INTERVIEW 1)
	Stand for your right	But I said calm down. Am not going to do machine, am ready to leave the work, am not going to go machine. Because the project cannot afford it. Not that I cannot afford it, the project cannot afford it. (INTERVIEW 9)
	Selective hiring	For housing, we don't take graduates, we actually take people who have never done sales and we train them. We found [that] when we get what we call graduates, they come with very, sort of, fixed ideas of how to sale and how to do things. (INTERVIEW 2)
	Guard against distraction	So eventually I fired him. Coz I asked him, if you do not believe in the dream, how can you sell it on other person? So if you are supposed to do my sales, and you don't believe in what we are about to do, so really you cannot sell it. (INTERVIEW 2)
Resilience	Learn from challenges	We ought to learn from the challenges we are experiencing because in every business there are challenges and these challenges can actually teach us a lesson. (FGD 4)
	Learnt lessons	We lost money on it. But what we didn't lose the passion for what we had learnt, and we decided it is a lesson, now the question is how do you use the lesson, do you stop or do you continue. But for me, I had learnt a lot of things along the way and one of the things I had learnt is using leverage, using what you have to do something. And I felt that I could do bigger projects than what we had done. (INTERVIEW 2)
	Learnt lessons	I have learnt lessons from the experiences I have had, because if you did not learn those lessons then you will never come back again. (INTERVIEW 19)



**TABLE 6:** Selected Quotes Related to Resourcefulness

Category	Sub-category	Quotes
Competitive strategy	Creating a brand	So that aspect of being able to create a business that you can sustain, is very critical. So if you look at what we are trying to do here, for example in terms of that is, first of all is create a good name, so the brand is very important. (INTERVIEW 2)
	Execution of duty	What makes us fundamentally different; I'd say execution, from how we execute things with people in the office, to how we execute things with our clients. (INTERVIEW 1)
	Focus on superior quality	What has made our business to supersede the rest is because we focus more on high quality production. (INTERVIEW 14)
	Unique product	We packaged it differently. The banks were asking for securities, we said do away with the securities. (FGD 2)
Knowledgeable	Knowledge about market	We ensure that we understand our market both the purchase and consumer market so that we know how to segment our market. (INTERVIEW 19)
	Business knowledge	The leadership, which is needed now, is to know more about that business then you can be able now to provide what is needed in the business. (FGD 4)
	Technical knowledge	This business, I went to college to do some little engineering for roads not actually a big course but I went to a college in Nairobi, Kenya Institute of Highways, to train on how to construct roads using labor based. (FGD 4)
	Management knowledge	So I used my profession, I was also privileged because I served the level of manager in the organization when I came to the field. So I applied that [knowledge] and I knew I was going to succeed. (FGD 4)
Survival strategy	Building trust	The most important thing we have seen in this is the trust. You can start any Business but to be successful in it is the trust that your clients invest in you. (INTERVIEW 17)
	Strategic partnership	So we thought let us approach this company for dealership, so that we can use the same accounting software for our business, that was our thinking. So we approached those guys for the dealership, and they said yes no problem. (INTERVIEW 1)
	Focus on core business	Because we thought, if we invest heavily on other businesses like transport, like security, like all those and our core business actually here is teaching. Those other businesses and for transport, we get somebody who is doing transport business they transport the pupils for us, we get the security firms, they give us those services. (FGD 4)
	Hands-on involvement	I started, I marketed, drove my vehicle and made sales to different countries like Burundi, Rwanda, Tanzania and people like my wine. (INTERVIEW 18)
	Multi-tasking	As an entrepreneur you had to be an all-rounder, one day you are in the packaging expert, another day you are management, another day you are and accountant and cost controller, everything. (INTERVIEW 4)
	Re-investing profits	One thing I know is that you must continue reinvesting into the business, whatever profits you get you must continue reinvesting into the [business]. Yes, I believe that is the only way the business can grow. (INTERVIEW 7)
Creativity	Unique model	What happened we came up with a unique model of having employees, because in consultancy, we have work today then you a long spell we do not have anything to do? So we decided to help the universities, we absorb these students who do not have attachments. (FGD 2)
	Creativity	I had to really be innovative again. With my analogue machine, do some creative things. I used to print for them and print...like, if it is a seminar, I print for them using an ink jet printer. After getting the photo, after the photo is out, you just put it on an ink jet machine you print it again, so that you become ahead of the rest. (INTERVIEW 7)
	Improvising	I had a truck that the engine had knocked, that time there was nothing like parking meters or something, so that truck was my go-down, so any scrap I put there, the truck was like a go down. (FGD 1)

#### **4.5 Responsiveness**

Analysis of data revealed responsiveness on the part of the SMEs leaders. Narrations from these leaders underscored the need for adopting technology in business, the importance of strategic adaptation to change, remaining open to learn, and creating and formalizing organizational structures. In spite of this emphasis, there was notable stress on the importance of allowing the business to grow organically – incremental effectuation of growth. Data coding resulted in responsiveness being coded in twenty-five out of twenty-eight sources.

The affinity to responsiveness drove many of these leaders to be avid researchers of current trends related to their businesses. A significant number reported how they shared ideas with business associates and employees, read books, and consulted experts; an attribute that was associated with their openness to learning. These, it was observed, had a heightened attention on the market and continually scanned the environment for cues of opportunities and threats. For instance, some participants narrated how they connected with clients to get feedback while others recounted inviting knowledgeable external resource persons for advice to keep pace with market trends, yet others recalled how they went back to class to enhance their knowledge. Some narrative from participants stressed the need to be flexible and adaptable. In table 7, a select number of quotes obtained from these narratives are presented. This construct contained sub-themes of research, adaptability, customer care and openness to learning.

#### **4.6 Personal Values**

Most of the SMEs leaders in this study possessed and were guided by certain sets of values. These were observed in twenty-two of the twenty-eight sources analyzed. A number of them repeatedly stressed how their faith in and prayers to God had made them succeed, others emphasized the importance of valuing people, particularly the employees, yet some mentioned their passionate adherence to discipline, honesty and integrity as virtues that brought about success. From these narratives, it was vividly apparent that these values influenced the way they conducted business and shaped the manner they related with people. They found these values to be very important in building trust among their suppliers, clients and employees, the key people they relied upon in sustaining the business.

However, there was interesting observation where some entrepreneurs engaged in some “white lies” for survival. These SMEs leaders were operating with good intent and were not setting out to break the law or to cheat, but rather to manage the different stakeholders’ needs in order to create some working capital. The term ‘Expedient integrity’, was coined to describe this kind of activity that creates space between different stakeholders needs. From table 8, we see some exemplary quotes that demonstrate the manifestation of these attributes.

**TABLE 7: Exemplar Quotes for Responsiveness**

Category	Sub-category	Quotes
Research	Study on product	But I knew with the research I had done and the product I wanted to put on the market, I knew I could sell it all to cash buyers, without putting a single shilling. (INTERVIEW 2)
	Study on product	I decided to research on how to make wine. I took part time in K-University; Prof. B gave me some people to help me then. I even started doing some research with one of my sons. We did research on how to package. (INTERVIEW 18)
	reading	If you come across a challenge you don't understand you ask around, you read around, you do whatever, like internet wasn't where it is now, now I think you can Google, and you look for someone who could help you. (INTERVIEW 1)
	Studying new trends	I have always been studying the trends especially, as I told you, in business you have to know the latest, you have to be unique. (INTERVIEW 5)
Adaptability	adaptable to changes	So you should be somebody who is able to adjust to changes because that is where businesses fail because you can be rigid to one particular area to an extent that when other players come on board you are rendered irrelevant. (FGD 4)
	adaptable to changes	So the approach varies, management also varies. I cannot come with the management style I came with from rift valley to bring in Nyanza. It might not work. (INTERVIEW 9)
	adopting technology	I just wanted to be ahead of the rest in the technology. So I was able to get into the required technology very fast and use it very fast. (INTERVIEW 5)
	adopting technology	That is why you see that we have tried to move from this type of technology to medium class technology, which we are now embracing. (INTERVIEW 14)
Customer care	build customer confidence	You will be successful if you have the confidence of your customer if you build that confidence of the customer. (FGD 4)
	connecting with clients	The other thing was the good customer relationship; all the business colleges became part and parcel of the business. So they were royal to the business. (INTERVIEW 21)
	customer feedback	For example, you can be the owner of the shop but when you do not interact with your customers, you may be bound to fail because at times someone may not be a daily customer and gets a bad image, which eventually earns your business a bad reputation. (FGD 2)
	customer satisfaction	One thing I've learnt is that, there is one thing we have to do you have to do. You have to satisfy your customer. (FGD 4)
Openness to learning	back to school	The market people can fool you that sales are going on but you are not seeing the money and by the time you realize your business has already collapsed. So, I went back to school, studied Business Administration and I opted for Management but I went into marketing. (INTERVIEW 18)
	learning on the go	It's a question of talking and you know learning and then implementing it and gradually, it's like a puzzle, you put the pieces in and all of a sudden you find that the whole thing is working. (INTERVIEW 3)
	learning from experience	Sometimes the lines in which we persevere have dividends in terms of learning we as entrepreneurship get the lessons the experiences. (INTERVIEW 22)
	listening	So when somebody has a point to make, you are supposed to listen, take it and incorporate it so as to move further. (INTERVIEW 17)

**TABLE 8:** Select Quotes for Personal values

Category	Quotes
Discipline	The most important thing that has made us reach where we are is business discipline. This includes a lot of things, but the major thing is we have been financially disciplined in terms of managing the little resources we have. (INTERVIEW 12)
	We have been a little disciplined in our approach to business. We have ensured that our that our systems are continuously being developed, they are not static. (INTERVIEW 19)
Faith in God	What I have learnt, it's really not about people, it's about you and your God. So [if] I am growing it, I have now been there 3 years, I have grown it to [Kes.]10 million, (cc USD 120,000) so this year if I get 12 million (cc USD 140, 000), I will be very happy, or even 13, now that's you. Now if you want to see God, is when you tell God, I don't want 10-12 million this year, I want to go to 100 million (USD 1.2 million) in the next 3 years. (INTERVIEW 2)
	When you are God fearing there is a way he drives you and on top of that, you have to be sincere and faithful. (INTERVIEW 19)
Honesty	If there is one word that is most important it is honesty and truth. You have got to be true to yourself, you have got to be true to your customers, you have got to be true to the people you work with. (INTERVIEW 3)
	What has really given me the strength is that I have always tried to be honest. A hundred percent honest in most cases even if I make a very small profit I have to be very honest to somebody. (INTERVIEW 5)
	To sustain this business and to gain peoples trust, one has to be honest since you are just the middleman who is in between and with this, they need a honest person to deal with. (INTERVIEW 16)
Expedient integrity	Then am telling you the tricks that you go with to the supplier. You tell the supplier, "by the way I have wired your money, but I went to see the confirmation from the bank". He will take my word and release the goods. They release the goods, and then I go to DHL, "hey, the goods are ready in South Africa collect them bring them here, what's the value?" I give them the invoice and everything, they tell me to pay some sort of minimal figure for that, give them a check. I go back to the bank and tell them there is a cheque coming for DHL, make sure it clears. Are you seeing the mathematics? (INTERVIEW 1)
Keep your word	When I was selling for my relatives wine, he did not ask for cash before giving me the wine he gave me the wine without money but what motivated him to give me more wine was the way I paid him. (INTERVIEW 18)
	In Kenya, they gave me things on credit, in Japan, they gave me things on credit, in Hong Kong they extended credit, because of being trustworthy. (INTERVIEW 20)

#### 4.7 Social Capital

The study revealed that sampled SMEs leaders leveraged social capital within their networks of friends, relatives, peers and business associates. Some of the participants in the study recalled how they used the networks to recruit, gain new ideas, get help when they needed it, and even to sell their products. Moreover, these networks were found to be instrumental in overcoming pressure from relatives, who would normally demand that these leaders hire their children. There were narrations how the leaders circumvented the pressure by referring the relatives to their business associates and peers for employment. Additionally, these networks acted, as one participant put it, as “feelers of what we want” in reference to identifying the right people recruit. More quotes that demonstrate leveraging of social capital are shown in table 9.

**TABLE 9:** Selected Quotes related to Social Capital

Category	Quotes
Business through networks	The best way to reach the market is of course getting good references, when people talk well about you, your women group, your bank. (FGD 2)
	So you can see 500 people are your mouth pieces that speak for you. So you can see how the community has offered free advertisement, my virtue of having that interaction by supporting them. (FGD 1)
	Now we have even not networks only for getting supplies or getting money, but getting the customers. (INTERVIEW 6)
	Like in Kondele where I operate from, there are people who do the same business. So we are not mean to ourselves yeah. If some customer wants something that I do not have and I can't get it when he wants it, I would simply pick a call and...a phone and call yeah, this thing would [be brought] to my shop. (INTERVIEW 11)
	If I did not have networks, I couldn't go to Rwanda and Tanzania to sell my wine. I have trade links with Uganda Exports Board. They help me in business, they market for us. (INTERVIEW 18)
	So that occasionally we even do purchases together yeah, we bring in a pool of money and then we send to suppliers maybe in Nairobi, they bring us these things. So you see when they reach Nairobi they will think, "oh, this person is taking a very big [order]"...and then we get big discounts. So these kinds of networks have seen us come through. (INTERVIEW 11)
Getting help from others	For me I knew I would go to my auditor, if it is about finances, if it was about HR, I knew a lady, actually I used to use them. (INTERVIEW 1)
	And also consultants who come and empower them with knowledge so as handle business very well. (INTERVIEW 15)
	I am a member of the private school association, where we have forums of discussion and we discuss about how people have succeeded. (FGD 4)
	Every year, we have a lady who helps us in HR she comes and checks and make sure all our HR issues are ok. She comes and checks our personnel records, makes sure they are ok. She goes through all our contracts she updates us on the labor laws. (INTERVIEW 1)
	I also have a friend we used to do marketing together on a commission. (INTERVIEW 5)
	I found out a lot to capital to get started so the social capital that existed through the commercial networks. (INTERVIEW 22)
Hiring through networks	So my position preference is to pass the word around rather than put an advert in the paper. You will bring me somebody you know. (FGD 2)
	We send the information out to mostly, we have network with auditing firms. Yeah, like we can inform our auditing firm that we want two account clerks. (INTERVIEW 12)
Learning from networks	When you know that what you are doing in terms of networking will at least give you a hint or information that can help you succeed in the kind of undertaking that you want to carry out. (FGD 2)
	I also got to workshops that add on my skills of doing business but this is because of the networks. (INTERVIEW 19)

#### 4.8 Entrepreneurial Orientation

Another construct that emerged was the leader's entrepreneurial orientation, which refers to personal attributes including determination, pro-activeness, risk-taking orientation, aggressiveness, self-belief and personal initiative. Narratives from these leaders' experiences revealed provided evidence for existence of entrepreneurial orientation at the personal level. From them we had stories of how they were determined to succeed, some recalled how they took and continued to take risks, others talked of "selling hard" in reference to their aggressive character when pushing things, and in other instances there were accounts of how proactively seized opportunities to promote their organizations and sell their products. Table 10 below provides some illustrative quotes demonstrating the existence of leader's entrepreneurial orientation.

**TABLE 10:** Illustrative Quotes relating to Entrepreneurial Orientation

Category	Quotes
Aggressiveness	I was passionate about what I was talking about. It like being a good sales man, I was selling hard and I kept telling them. (INTERVIEW 2)
Self-belief and personal initiative	I used to do my own marketing whereby sometimes I would use a wheel barrow to take my juice and also when it came to selling, I would put it at the verandah of my friends shop such that people could buy. It was really self-belief and I knew that I would make it one day. (INTERVIEW 15)
	I believe very strongly in what am doing and I have faith in what am doing and the team who am doing it with. I understand that the business is ambitious and transforming it takes time. (INTERVIEW 22)
Determination	But just to answer your question, you had to succeed, failure was not an option. (INTERVIEW 1)
	The aggressive person in me who believed that all could be done as long as you were determined and whatever you wanted could be achieved if taken serious enabled me to succeed. (INTERVIEW 15)
	I am not very good with defeat. The more I see that it is a challenge, the more I also fight to defeat it. (INTERVIEW 19)
Pro-activeness	I was noticing a big mama corduroy cloths coming from Europe and wherever. Then I thought, this is material, this thing, corduroy costs 600 shillings a meter, but this 5 meter dress, maybe three or four meters, is 50 shillings, because nobody wants big dresses. And making baby carriers is going to a fundi and making baby carriers from those. So I was selling baby carriers but making was very cheap. So I was like the only guy supplying corduroy because corduroy baby carriers were very popular all the others had moved to other forms of things. (FGD 1)
	So, [I said], we must do brochures, so everybody who walking, in your office you give him brochure to carry. But he didn't realize what I was doing, I was preparing the market name for [my company], so I needed [my company's name] to be out there in the market. (INTERVIEW 2)
Risk taking orientation	In our case nobody had ever done this before, everybody was looking at small businesses as very high risk areas, nobody was willing to lend without taking securities, and you know when we started this everybody was telling us that look, you are seriously going to burn your fingers. (FGD 2)
	Yeah, the highest I could get from the bank loan was [Kes.] 3.7 million (cc USD 44,000). So I took something called a risk, I think that was a very big risk. (INTERVIEW 5)
	I do not fear risk. I have done a lot of things some have survived and some have failed. (INTERVIEW 20)

#### 4.9 Other Factors Related to Success of SMEs

While the focus of this research was on leadership constructs of success, our attention was drawn to some factors that leaders in this sample consistently referred and associated with enterprise success. These factors, which were frequently mentioned as enablers or impediments of success, included experience with relatives in business, organizational systems and structures, sources of funds, employees' qualities, locating of self before success, challenges in business, and reasons for starting business.

##### 4.9.1 Experience with relatives in business

A significant number of SMEs leaders recounted experiences, some of them very painful, of dealing with relatives in business. Some gave recounted incidences of relatives pushing for employment of their kin, only for them to run down the business after being brought on board. There were other accounts of relatives pilfering, mismanaging business, while others reportedly performed below average, yet they could not sack them due to the fear of ostracization.

*I even brought one of my family members who was working, he knew that his salary was this, but I made a mistake by bringing that man. Number one, he was bossy, he was not getting along with people, number two, whenever decisions were made he was going contrary because he thought he was the family member. Number three; I also came to find out that he was also stealing. (FGD 1)*

*By that fact, you may fear what your relatives may have to say about your decision of chasing a relative out of the business. Therefore, you find yourself stuck with this person yet in actual sense, there is nothing constructive you get from him and this pulls us down as we business people.... They [relatives] assume as if it is a family thing to be owned. They are not those people who are creative, who think this thing is ours let us protect it, they want to smash everything and knowing that there is no legal action that will be taken against them [relatives] because there is that sympathy. So actually I don't employ them. (FGD 4)*

*My cousin had just finished form four she was going to college, I said can she come and work for us. That was the first and last time I hired a relative. There is no relative here because I would go reprimand her and then the same evening or the next day, her mother is calling me, " You made a lot of noise to my daughter, what were you tell her". You know you are wondering, am I going to run this business or am I going to listening to what my mother and auntie is telling me. I made a decision I am not going to hire a relative. (INTERVIEW 1)*

In other instances relatives were mentioned as sources of discouragement, harassing other employees and not accountable to anyone. Some SME leaders in the study actually expressed their total discomfort in hiring relatives saying it was recipe for failure.

*So, if you want to get results, my advice is that do not involve relatives whether he has the results [or] the experience. No way! Especially they don't perform. I am sorry to say that, because of what I have gone through with them. Most of them, they are not serious, they are not serious. (FGD 4)*

However, there was a stark contrast when it came to immediate family members – the spouses and children. Many of the leaders spoke positively about them and recalled how their spouses and children had supported them. Some recited instances where immediate family members helped in running and managing the business, and offering financial support and advice when they needed it.

*Another thing is that my wife was always there for me, which means that we were working out things together and our partnership was so real and unlimited. This has worked and helped us a lot because she has some traits that I don't have, like the marketing language. So, when we combined those areas together, it really helped us a lot. (INTERVIEW 17)*

#### **4.9.2 Organizational structures**

Leaders of successful SMEs in our sample persistently emphasized the advantage of having proper systems and structures in place to enhance the smooth running of their enterprises. According to their narrations, such systems and structures were important in institutionalizing professionalism for example in hiring employees and running the business, demarcating lines of responsibility and enhancing accountability.

*The best thing I did is that I gave it a professional approach. I created structures when we started that institution. In our institution, we have structures. I am the director, we have now the principal who is in charge of the administration, and we have three deputy head teachers be assisting the principal. These deputy head teachers are actually given several duties; one is in charge of the academics, the other one is in charge of boarding, the other one in charge of discipline and cleanliness. So, this new employee will go through all those departments to get orientation and to know what is going on in the institution. (FGD 4)*

*I had proper systems I place so that it was not me managing the business, it was the system that were going to play a role in the management. We have a Board of Directors, and then we have a CEO who is me and my responsibility focus is apart from ensuring that the business is growing in the right direction I want it to grow as the founder of the business am also responsible for marketing the product as this is my strength. Then we have a business manager who also handles administration and then we have an accountant, we have an operations manager, we have a field manager and other staff. [And] you need to submit to your hierarchy if you are intending to be in business for a long time. (INTERVIEW 19)*

### **4.9.3 Source of funds**

Some SMEs leaders divulged how they had struggled to raise finance capital to start business by accumulating capital through sideline businesses, “scrounging” from family and friends, and personal savings from previous employment.

*I would go to my friends and borrow money so that I pay back when I make a profit. (FGD 4)*

*Then my business partner had a bit of money, he had disposable income [and] scrounging from friends, you know here and there. (INTERVIEW 1)*

*I had saved money and the little money that I had saved was not much. I used that money to start buying and selling second hand clothes from Nairobi to Kampala. (INTERVIEW 19)*

Banks and Micro-finance institutions, they revealed, were reluctant to lend money at the initial stages but became interested as the business became established and cash flows were regular. Some disclosed how they had made a habit of regularly depositing cash in banks, even for an overnight, to improve their credit rating.

*I sell and I bank everything...I bank and I withdrew at the same time. So that it's registered that I banked some money. (INTERVIEW 6)*

*The bank statement, the money that I was banking every day, is what made K-Rep to trust me and give me the loan. (INTERVIEW 5)*

*However, these leaders were quick to add that money, though a necessary ingredient was not sufficient to guarantee business success. For example, one respondent when asked why previous businesses he had engaged in failed retrospectively retorted: I think when you look back it was two reasons; one is that I had no clue what it was about. When I look back, I got into the businesses because of hearsay and I had some money. (INTERVIEW 1)*



*Others were categorically clear; having money was just not the enough, more was required. A smallest idea can make you the money you know. My late father used to tell me that if I gave you a million dollars today in your hands and tell you go and run a business you will not appreciate that business because the money is available to you.*  
(INTERVIEW 10)

*You can give somebody a billions and he will never succeed. He will put it in business and the business will collapse but I think I have succeeded because of determination.*  
(INTERVIEW 18)

#### **4.9.4 Quality of employees**

Another factor that emerged from the narratives was the qualities of employees that SMEs leaders associated with business success. These leaders stressed the importance of having employees who were dedicated and with a positive attitude to work, flexible and able to multi-task, possessing an entrepreneurial mindset, decisive and at the same time trustworthy. Some recounted qualities of the employees they had come to value most:

*My first employee by the name Y, my first, she did many roles when I was still at the airport she was the cashier, she was the typist, telephone operator, everything.*  
(INTERVIEW 4)

*I worked with him, he was honest and he was innovative, he would never get stuck, you will always find him with an idea, he will be telling you, “why can’t you try this, why can’t we try that”?*  
(INTERVIEW 8)

*I realized he has what it takes in terms of leading people and I [taught] him the skills but its attitude that won him over to me.*  
(FGD 1)

In some instances, the leaders valued these qualities than education qualifications and skills.

*Now getting the right people to work for you, as we recognized many years ago, is not having the right qualifications for the job. The right qualification and training is important but it is actually basic. It is not the right ingredient for having the right people to work for you; rather what is important in having the right people is getting people with the right attitude. Attitude is how people are responsible, attitude is how people carry themselves at the place of work, and attitude is how people take ownership of their responsibilities.*  
(FGD 3)

### **5.0 Discussion**

This part of the report discusses constructs of leadership that emerged in our study. Most studies on SMEs in East Africa have majorly focused on challenges, policy environment and causes of failure. As such, less has been said about those businesses or entrepreneurs who succeed. For instance, Bowen *et al*'s (2009) research focused on SME business challenges in Kenya and the strategies and guiding principles to face these challenges while Kioy's (2011) study of matatu (public transport) entrepreneurs in Kenya focused on who the investors were and that their motivation for investing. In Uganda, Ntayi *et al* (2011) focused on contract enforcement and dispute resolution among Ugandan SMEs and Briggs (2009) undertook a study on challenges facing indigenous entrepreneurs in Uganda. In contrast, our study

focused on those who had implemented their own leadership skills and succeeded. The sections below discuss each of the leadership constructs.

### **5.1 Building commitment**

Our results showed that successful Kenyan and Ugandan SMEs leaders encouraged and persistently strived to sustain employee commitment. This finding is consistent with previous findings in extant literature that have associated employee commitment with benign organizational outcomes such as retention and job performance (Rhoades, Eisenberger & Armeli, 2001). Our findings showcase the means by which SMEs leaders used to cultivate and enhance employees' commitment in their organizations.

Rhoades *et al* (2001) have argued that employee's commitment is dependent on their perceived organizational support. In our case, successful SMEs leaders encouraged employee commitment by empowering them, cultivating "family like" relations with employees, motivating them, and communicating with them regularly. Perceived support, Rhoades and colleagues proffer, is premised on employees' belief that their contribution is highly valued by the organization. Practices such those displayed the leaders in this study, impacted employees' perceived support as they demonstrated the leader's appreciation and recognition of their contribution.

A unique attribute observed among SMEs leaders in the two East African countries was the cultivation of "familiness" within their organization. Familiness has been used in small business literature in reference to social capital that stems from family involvement and interaction in business (Pearson, Carr & Shaw, 2008). In this perspective, familiness is treated as unique resource within that can create sustained competitive advantage (Kansikas *et al*, 2012). However, our findings appear to contradict this notion as leaders in our study expressed discomfort in engaging relatives in business. Many of them associated such involvement of relatives in their businesses as a negative and most instances worked resulted in business failure. Therefore, familiness as conceptualized in literature was seen to be a liability.

However, an interesting scenario unfolded where the SMEs leaders would shun family members only for them to recreate family relationships among their employees. This they did by treating employees as family. Creation of such relationships saw the leaders participate in promoting the social welfare of their employees through such activities like giving fatherly advice on how to invest and accumulate wealth, assisting them in social events e.g. weddings and funerals and even helping them in family obligations such as paying fees for their children. The consequence of recreating familiness was enhancement of both normative and affective commitment of employees. Normative commitment meant that employees felt obligated to reciprocate the leaders' benevolent acts. For instance, in lean times when the organization would be experiencing cash flow problem and unable to pay wages on time, the employees felt obligated to stay. In other circumstances, the employees would pay back by doing extra work without extra pay. Affective commitment meant the employees felt emotionally attached to the organization as they saw it as family where their well-being was

catered for. Thus one side the leaders shun relatives and the social capital embedded there in only for them to recreate it among employees. This way, these leaders ingeniously avoided high cost of family tax associated with orthodox familiness.

## **5.2 Visioning**

Having a vision, sticking to it and continuously inspiring employees came out very strongly in these successful entrepreneurs interviewed in this study. This is in contrast to Bowen *et al's* (2009) research focusing on SME business challenges in Kenya where only a paltry 4.5% of the respondents thought that a clear vision had contributed to their success. In Bowen and colleagues study, only 2.5% of the businesses surveyed rated themselves as successful, which could explain low rating of having a clear vision as an ingredient of business success. What is telling from our research methodology is that not only did these successful SME leaders emphasize a clear vision but also stressed how important it was to align employees' dreams.

This result appear to support Baum *et al's* (1998) findings that reportedly found vision and vision communication to have a significant effect on organizational performance. Baum and team also found performance of CEOs without vision to be inferior to those who had a vision. Fillon (1991) emphasizes visioning as a process that supporting both the development of the vision and visionary achievement seems to be the entrepreneurs' relational system. Baum & Locke (2004) allude to similar argument with an emphasis on vision communication. According to them vision communication occurs through the entrepreneur's behavior, speech, pep talk and making presentations.

In the current study, visioning was used to refer to a process where the SME leader creates and articulates an entrepreneurial vision and engages in deliberate efforts to galvanize organization-wide support for it. While leadership, energy and the leader's own values contribute to the visioning process, it also offers a way for the leader to integrate employees and other stakeholders into the vision. This therefore explains why leaders in our study in the visioning process prioritized sharing and selling the vision. So while vision may not come up as a response to business challenges in SME research, our research re-emphasizes how important it is to set the direction, build commitment and maintain the purpose.

## **5.3 Anticipation and Resilience**

Anticipation and resilience are two terms that have been discussed in relation to SME sustainability. While the word resilience is used in many contexts, it is usually related to proactive readiness of, reactive recovery and learning from adversity (Bhamra, Dani & Burnard, 2011). Resilience and anticipation have been associated with organization performance and sustainability (Vogus and Sutcliffe, 2007). SMEs remain most vulnerable to adverse market conditions such high volatility and competition. This makes resilience and anticipation an important part of success and sustainability of SMEs.

SMEs leaders, this study found, encouraged and nurtured anticipatory practice, resilience and learning from experience among their employees. This result points to the significance of

Gupta *et al's* (2004) suggested entrepreneurial leadership roles of absorbing uncertainty and path clearing. Leaders in this study absorbed uncertainty by being flexible, allowing employees to make mistakes and learn from them and shouldering responsibility when things went wrong. Further, they anticipated and acted to eliminate potential barriers that would have constrained employees' ability to deal with situations as they arose. Our sense of these actions is that these leaders executed these roles to foster employees' resilience – encouraging them to be proactively decisive and to learn from mistakes. This was aptly captured in one of the quotes;

*The test is on me, to be able to expect all that and to nurture and allow them to make mistakes and to pull through with them over time.*

While a number of leaders in the focus groups and interviews had shown personal resilience having gone through numerous failures and serious challenges, it was interesting to see how they nurtured the same in their enterprises.

#### **5.4 Resourcefulness**

In this study, resourcefulness was found be one of the key leadership constructs. Resourcefulness was defined as having the ability to organize, innovate, improvise and be pragmatic. This construct appears to fit in the 'soft' success factors of Lin's (1998) model. In this study, this construct encompassed strategic choices made by the entrepreneur to remain competitive, creativity and innovation, being knowledgeable, and use of survival strategies to remain afloat especially at the nascent stages of the enterprise.

Successful entrepreneurs tend to be people who are hands on managers who, as they saying goes, "*know their business like the back of their hands*". In all the cases studied, the owners/leaders were also hands on managers who did not have a side job. This personal involvement resulted in enhancement of their organizational ability because understood every aspect of the SME. They had what Swiercz & Lydon (2002) call functional leadership, in reference to an understanding of, and ability to organize functions such as human resource, finance etc. This capability was not necessarily based on book knowledge but rather on experience that resulted in an intimate understanding of the intricacies of the business.

Innovativeness is widely accepted in entrepreneurship literature as an important construct for success (Covin & Slevin, 1989; Swiercz & Lydon, 2002). Innovativeness in this study refers to not only individual innovativeness, but also to the creation of an environment where innovativeness is encouraged and celebrated, an environment where it is safe to make mistakes as new ideas are tried out (Goosen, de Coning, & Smit, 2002). In Kenya, lack of innovation had earlier been note to be one of the challenges that caused business failure (Bowen *et al*, 2009). Innovativeness ensures the continued renewal of competitive advantage and insures against declining market share. Like previous studies, the results of our study are suggestive of the significance of innovation and creativity in the survival and success of SMEs.

It has been established that entrepreneurs start businesses not because they have all the resources they need but because they have found a way of putting to economic use what they have at hand. In other words, they are good at improvising. Sarasvathy (2001) calls this effectuation. The notion of improvisation is well documented in entrepreneurship literature (Baker *et al*, 2003; Hmieleski & Corbett, 2008). This competency is particularly useful at the early stages of a business when resources are scarce. Swiercz & Lydon, (2002) identify two stages in business development, the formative growth stage and the institutional growth stages. Improvisation is likely to be more prevalent at the formative growth stage. One entrepreneur tells how he started a multibillion shilling business with nothing but an idea for a gated residential community. Armed with the conviction that his idea was a winner, he approached one large owner after another until one of them agreed to partner with him by providing the land. Today, his concept is being replicated across the country/region. Another entrepreneur started his now extremely successful flour milling company by using an old lorry engine as a power generator and used to pack the flour in old cement bags. Yet another started his scrap metal export firm using a wheelbarrow as his collection and transport vehicle, graduating to a lorry in which he also slept most days. Another who now runs software development company started his business in an old disused garage and did not pay rent for it because he convinced the owner that the renovation expense could be converted to rent prepayment. This pragmatic approach to solving problems was constantly replicated in the leadership of most successful SMEs studied.

## **5.5 Responsiveness**

Responsiveness refers to the ability to respond to changes in the market conditions as they occur. In the SME literature, responsiveness is often looked at in relationship to environmental turbulence, external knowledge acquisition and internal knowledge dissemination. Current market realities and the operational environment of SMEs in East Africa position responsiveness as an important success factor. Bernardes *et al* (2009) associate responsiveness with attainment of competitive advantage for businesses. Responsiveness requires an organization to be constantly aware of emerging realities, flexible to enable action, and agile to ensure timely response.

Most of the successful SME's in our study were characterized by the leader having good intelligence networks of the market. Several of the entrepreneurs surveyed in this study reportedly spent a lot of their time learning, researching, seeking feedback from clients, friends, sometimes even going back to school for new knowledge. They also spent time mentoring the staff to pass on what they knew about the business in an attempt to improve performance. Not only that, but they also encouraged and supported their employees to enhance their knowledge both on job skills and academically. Such openness to learning is particularly for SMEs as it enables recognition of environmental stimuli and knowledge needed to address it. This action can thus be seen as deliberate strategy by the entrepreneurs to build responsiveness capacity within their organizations. It was noted from our sample of SMEs leaders, that majority of them emphasized the necessity of flexibility and agility in responding to changing or emergent conditions. As one leader emphatically put it;

*You should be somebody who is able to adjust to changes because that is where businesses fail because you can be rigid to one particular area to an extent that when other players come on board you are rendered irrelevant.*

Moreover, many of the leaders were noted to be comfortable with adoption technology to accelerate their ability and capacity to respond to changing situations, and become more competitive.

These results are homologous of Liao, Welsch & Stoica's (2003) findings that responsiveness was positively related to acquisition of external knowledge. In their case, Liao and colleagues concluded that responsiveness increased when SMEs had well-developed capabilities of acquiring external knowledge and internally disseminating it. We related this to the actions of SME leader in Kenya and Uganda who emphasized the importance of being able to respond to business environment conditions and worked with purposeful determination to build responsiveness capabilities within their firms.

## **5.6 Personal values**

Literature suggests that the beyond organizational behavior socio-demographic characteristics, the personal values of business owners have a profound influence on the behavior and choices they make including the choice of criteria by which they judge their business' success (Hambrick, 2007; Kasser *et al.* 2007). Indeed values and beliefs of the leader have been associated with determination of the prevailing organizational culture (Barret, 2010). According to Collins and Porras (1994, as cited in Barret, 2010), organizations with strong values-driven cultures perform relatively better than those that weakly emphasize values. In line with this notion, this study found that business owners/leaders ascribed a significant part of their success to their individual values such as trustworthiness, faith in God, integrity, and personal discipline.

The emphasis on Faith in God is appears particular to East Africa. It can be reflected in the World Value survey cultural map 2005 – 2008 (appendix D) where most East African countries still lie within the traditional -survival value systems. The almost universal strong belief and practice in God seemed to relate to a positive attitude and increase the leaders' ability to take greater risk and work through challenges. The argument here was, since they believed and had faith in God, then they rationalized that God would protect them from adverse outcomes even when the risk and the stakes were high. This belief in God was also noted to influence how they dealt with people and their particular emphasis on the maintaining integrity and honesty in their dealings.

As Vyakarnam *et al* (1997) note in their study in ethics among small business owners, reputation is a major concern for SMEs. The bottom line of adoption of and being driven by these personal values is to build a reputation for themselves and their businesses. Reputation is tied to loyalty (vyakarnam *et al*, 1997). Loyalty makes customers make repeat purchases because they have confidence in the quality of products and services. Suppliers and financiers feel comfortable extending credit as they have confidence that the entrepreneur will honor obligations when they are due. Such reputation is thus a resource can creates an advantage and impact the ability of the enterprise to remain in business in the long haul.

## 5.7 Social Capital

According to Baron & Markman (2000), social capital refers to actual and potential resources individuals obtain from their voluntary association with others through various networks and relationships with others. Baron and Mark, while articulating the significance of social skills in building social capital stock, associate social capital with diverse benefits to the entrepreneur such as access to venture capital, access to privileged market information and ideas, customers and most importantly trust. Our results appear to support Baron and Markman's (2000) suggestions of the benefits of social capital in the realization of enterprise success. In our case, the leaders of SMEs clearly demonstrated knowledge of the importance of social capital imbedded in their networks and regularly exploited it to create advantage for their enterprises. One of the respondents summed the importance of these networks and interactions:

*For me interactions [with] people and building of a team are the people who have crossed your paths over time”.*

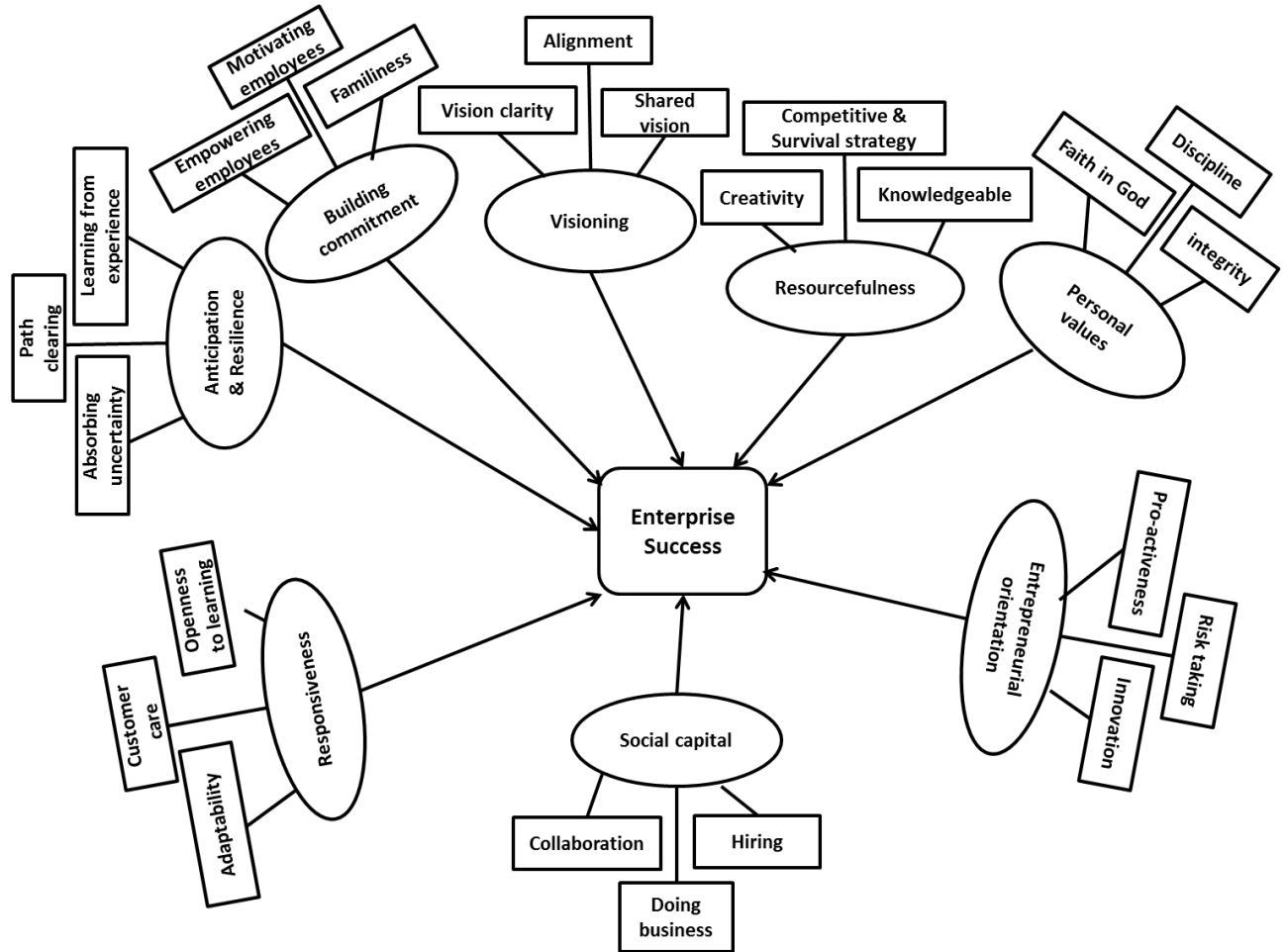
Majority of the leaders of SMEs in this study took advantage of the resources within their networks to conduct business such as reaching out to new customers and suppliers, collaborating to reduce transaction costs, getting help and consulting, hiring workers, learning through organization of network events like workshops and meetings as well as informal sharing of information at individual level. This is suggestively supportive of Yli-Renko, Autio & Sapienza's (2001) findings. Yli-Renko and colleagues in their study of young technology firms in United Kingdom reported finding a positive relationship between social interactions and network ties, and knowledge acquisition. Knowledge acquisition was in turn positively related to knowledge exploitation. In Yli-Renko *et al's* (2001) study, knowledge acquisition referred information obtained from contacts and exploitation referred to the use of that knowledge in development of new products, creating technological distinctiveness and enhancing sales-cost efficiency. While methodological constraints of our study may not support claims of connections and relationships, analysis of narratives from these entrepreneurs appear to provide strong support of a nexus between social capital and enterprise success.

## 5.8 Entrepreneurial Orientation

Entrepreneurial orientation is a construct that includes learning, achievement, autonomy, competitive aggression, innovative and risk taking orientation and personal initiative. While the constructs that emerged in our study include these personal entrepreneurial orientations, our findings of the constructs of successful leadership also emphasize how a leader operates to influence not just employees, but also the organizational culture and embeddedness of the organization within the family and community and provides sustainability in the face of different challenges. In this case, an entrepreneurial orientation is framed within our broader constructs of leadership and not the other way around.

Our treatment of entrepreneurial orientation contrasts with Engelen *et al* (2012) who operationalized entrepreneurial orientation as a separate construct from leadership. In Engelen *et al*'s (study) certain transformational leadership practices were found to moderate the entrepreneurial orientation- firm performance relationship. However, in Engelen and associates case, entrepreneurial orientation was an organizational level construct, which explains why it was a separate construct from leadership. In our study, what was observed is the leader's individual entrepreneurial orientation, which forms part of the owner's leadership style. The leadership style displayed by our cases relate closely to the entrepreneurial leadership concept as conceptualized by Gupta *et al* (2004). However its components differ slightly where SME leadership in East Africa is made up several components that impact enterprise success as illustrated below.

**FIGURE 2: SME Leadership Model**



## 6.0 Conclusions and Implications for Policy

This part of the report draws conclusions from the findings of this study and their implications on policy in both countries.



## 6.1 Conclusions

Our results identified eight leadership constructs characteristic of successful SME leaders in Kenya and Uganda. These were grouped into visioning, building commitment, social capital, personal values, anticipation and resilience, resourcefulness, responsiveness, and entrepreneurial orientation. Apart from being able to identify and exploit market opportunities, our findings point to significance of SMEs leaders' ability to influence people. Such ability is necessary to galvanize support for the entrepreneurial vision and requires excellent communication, social intelligence and inspiration.

In addition to possession of these leadership skills, the following lessons are important for SMEs, particularly in East Africa.

**Managing relatives.** In most African cultures, a relative who is "doing well" is under obligation to support other relatives. Consequently, an individual running an enterprise is expected to offer support and assistance to less endowed family members. African family values emphasize collectivism where older kin members are under obligations to take care of younger relatives. Managing relatives in business is apparently a "thorny issue" and was noted to be headache for many SME leaders interviewed. Many times entrepreneurs, particular the novices, engage relatives as employees with the hope that the blood relation will make them more trustworthy and better managers of their business. However, from the narrations obtained, nothing can be further from the truth. The relatives, once they join the enterprise, feel "they own it", and engage in behaviors that undermine the conduct of the business. Moreover, most of these relatives when entrusted with the business end up mismanaging it and engaging in selfish interests like "raiding the cashbox". When the owner demands an account for their actions, they run back to their parents or elders reporting harassment and seeking protection. The poor entrepreneur is summoned and reprimanded for "molesting the relative". The irony is that the same parents or elders will normally be the ones who exert pressure to have the relatives employed only to come to their defense when they mess. One the other hand if the entrepreneur fails to employ the relatives, he/she is ostracized, viewed as proud and accusing of neglecting them [relatives]. The entrepreneur has thus to decide whether to employ relatives and run the risk of collapse or decline to employ them at the risk of stigmatization and being seen as anti-social. Management of relatives is thus a central issue and inextricably connected to success of SMEs, at least in Kenya and Uganda. To manage the relatives the entrepreneur has the following options:

- Exclude them from employment altogether. Not a good option given tenet of African collectivism culture but is viable for those strong enough to go against the grain.
- Employ relative on condition they are qualified, are thoroughly vetted and commit to separate blood relations from business. A good but risky option given the difficulties of firing an underperforming relative without upsetting family relations.
- Use social and business networks to have relatives employed elsewhere where they have no claim of kinship. This appears to be the best option.

**Recruitment and relating with employees.** Another recurrent theme that entrepreneurs, especially the nascent ones, must be very careful about who they recruit and must cultivate good relations with their employees. First when identifying employees, SME leaders must look beyond qualifications and skills. Most importantly in recruiting employees is the attitude of the employee. He/she should be a person who can work independently and can take personal initiative to solve problems as well as having ability to multi-task and do some menial jobs when circumstances demand without complaining.

Secondly, it pays to cultivate good personal relationships with the employees and make them feel part of the business. As one entrepreneur put it, *“they [employees] must feel ownership; they must feel that it's more than a job ... because if you do not, they will simply look at you as a pay cheque.”* It is more of a family relationship where the leader plays the role of a “big brother” or “father figure” offering advice to the employees and “sharing life lessons” to help “employees build themselves”. Such a relationship appears to resonate well with the African family values where elder siblings and parents are expected to play a role in assisting and supporting younger siblings. Additionally, the SME leader must learn to motivate his employees by “facilitating them to develop” for example by offering them “special discount prices” when buying company products or “guaranteeing them” to take up car and home loans. Motivation also involves creating a good work environment that makes the “employees feel happy” to come.

Developing a family-like relationship with the staff has benefits. One it makes employees feel obliged to stay even when salary delays, particularly if the organization is going through a “trough” and cash flows are lean. The indebtedness means they are willing to “go the extra mile without extra pay”. Moreover, feel responsible to clients satisfied, reaching out to the market and marketing the products of the organization even when they are obliged to.

**Learning from experience.** The saying “experience is the best” appears most pertinent to describe the experiences of these successful entrepreneurs. To succeed in business an entrepreneur must be ready to encounter failure, deal with it and move on. This is critically important in molding the resiliency. Failure and mistakes should not be seen as negligence but opportunities to learn the ropes of running business successfully. Succeeding in a venture is a journey, fraught with challenges and problems. The key is to pick up vital lessons from past experiences and use them to launch into success.

**Money is a necessary but insufficient condition for success.** Apparently, from some of the experiences of our cases, having money before actualizing or without having a clear idea of the “correct” venture is a disadvantage and may contribute to business failure. This is surprising but somehow true. This is because when an individual has the money but clear vision of the venture to invest in, him /her oftentimes seeks opinion and ideas from friends on where to invest. This makes them to invest in businesses they see their peers, colleagues or neighbors do but little knowledge about it. The investment is thus based on hearsay rather than solid facts on the ground. One of the entrepreneurs warned *“I think one of the key things that one need to do is not put money in something because of hearsay, and people need to do spend more [time] in searching”*. More is needed than just having the money. Indeed from

the experiences of these entrepreneurs, the struggle to raise startup capital appears to be a necessity as it provokes creativity and resilience.

**Knowledge is crucially important.** Being knowledgeable is important part of constructing enterprise success. Knowledge here includes possession knowledge about the market – the threats and opportunities, having sufficient knowledge of the business itself, technical and management skills. Where certain areas of this knowledge are lacking, deliberate effort should be made to acquire it. The main emphasis here is to do lots of research, read books and seek help.

## 6.2 Policy Recommendations

The Kenyan government has highlighted micro, small and medium enterprises (MSMEs) as playing a major part in delivering Vision 2030. A striking figure is that SMEs reportedly contribute over 80% of the countries employment with majority (over 90%) of new jobs being created in that sector and contributes about 40% to the country's GDP (CMA, 2010). Kenya has created a special market segment at the Nairobi Securities Exchange (NSE) aimed at providing an alternative platform by which SMEs can seek out capital injection for growth. Recently the government went a step further to enact the Micro and Small Enterprises (MSE) Act (2012) that established the MSE Authority, which has the responsibility to formulate policy and creation of an environment salubrious to growth and sustainability of MSEs in Kenya. The Kenyan government has also come up with special funds to private finance capital for women and young entrepreneurs.

In Uganda, a draft policy for Micro, Small and Medium Enterprise (MSME) has been in the pipeline and the government suggests that it will be implemented by the end of 2013. The National Micro, Small and Medium Enterprise (MSME) Policy, aims to harmonize the regulatory framework and promote startups survival and growth in the country. In spite of these initiatives in both Kenya and Uganda, SMEs continue to face numerous challenges. However, despite the problems, a number of SMEs in the two countries have surmounted the challenges and attained a reasonable level of success. This study that focused on relatively more successful enterprises in Kenya and Uganda points the following policy recommendations:

**The Government and supporters of SMEs ought to look beyond supply of financial capital.** Governments, support agencies and financial institutions in both countries have committed huge sums of money to support SMEs, especially those owned by women and youth. However, the results of this study urge some caution. It appears that the struggle to get finances has a positive side, that of nurturing resilience, which a critical piece in molding business success. A case point is the digital village project where cash was advanced to start ICT businesses but most of these businesses have ended up failing and the government lost money as the borrowers defaulted after closing down business. The government and other stakeholders may consider embedding supply of financial capital with mentorship and incubation programs to enhance probability of business success.

**Establish customized enterprise training programs for current and prospective SME leaders.** Training institutions should develop flexible modular programs to train owners and managers of SMEs. Flexibility is an important part of the training as these entrepreneurs work on very tight schedules and it may be impractical to expect to attend regular classes. Modular means they can complete small components broken down to fit their schedules.

**Content of SMEs training programs.** Our results indicate leadership and business knowledge are crucial pieces of SME success. Most of the programs currently on offer are limitedly informed by research; a fact confirmed a recent study by Kaijage & Wheeler (2013). Extant training programs appear to be preponderantly focused on preparation of business plans, record keeping and basic operational aspects of business. However, our study suggests that knowledge on how to do research, social and negotiation skills, business knowledge, and leadership should be important components of SMEs' training programs. There should be more emphasis on vocational learning as opposed to academics, which appears to be disconnected to the realities of doing business.

**Encourage formation business associations and networks.** Social capital plays an important role in making businesses successful. As such, the government and concerned agencies should encourage formation of business associations and networks among SMEs. Moreover, these networks are important conduits of accessing export markets, which individual entrepreneurs might find hard to reach when working alone.

**Set up hiring centers or agencies that target SMEs.** One of the SMEs face is identifying and recruiting the right people. Most of them, at least in the initial stages, recruit relatives in the hope that they can be trusted and help in running the business. However, most often these relatives end up mismanaging the business. Meanwhile, recruitment agencies do appear to have much interest and where services are offered they charge high fees that SMEs find unaffordable. Setting up hiring centers for SMEs in various localities would make it easier for them to recruit and save them the headache of engaging unwieldy relatives.

Additionally this study found SMEs to have special human resource needs with particular emphasis on ability to multi-task and being flexible. Unlike their larger counterparts, SMEs have lack financial capacity employing trainee. These recruitment centers could double up and offer short-term skill enhancement training for jobseekers. The capacity enhancement programs should include training to help the graduates and other job seekers broaden diversity of their skills and have practical knowledge that connected to the realities and practices of SMEs job market.

Finally, our focus on success cases rather than problems and failures gave better and deeper insights into why businesses succeed as opposed to why they fail. Focusing on failure creates a gloomy picture, looking at success cases brings hope that it can be done. Moreover, the lessons picked from these cases are practical real life experiences of people who came, saw and above all conquered.

## References

- AfDB/OECD. (2007). *Uganda Economic Outlook*. Retrieved September 26, 2012, from African Development Bank Website: <http://www.oecd.org/dev/emea/38563109.pdf>
- Alby, P., Auriol, E., & Nguikem, P. (2012). Social Barriers to Entrepreneurship in Africa: The Forced Mutual Help Hypothesis. *European Economic Association & Econometric Society Conference*. Málaga, Spain.
- Al-Mahrouq, M. (2010). Success Factors of Small and Medium-Sized Enterprises (SMEs): The Case of Jordan. *Anadolu University Journal Of Social Sciences*, 10(1), 1-16.
- Avolio, B. J., Walumbwa, F. O., & Weber, T. J. (2009). Leadership: Current theories, research and future directions. *Annual Review of Psychology*, 60, 421 - 429.
- Avolio, J. B., Reichard, R. J., Hannah, S. T., Walumbwa, F. O., & Chan, A. (2009). A meta-analytic review of leadership impact research: Experimental and quasi-experimental studies. 20, 764–784.
- Baker, T., Miner, A., & Eesley, D. (2003). Improvising firms: bricolage, account giving and improvisational competencies in the founding process. *Research policy*, 32(2), 255-276.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Baron, R. A., & Markman, G. D. (2000). Beyond social capital: How social skills can enhance entrepreneurs' success. *The Academy of Management Executive*, 14(1), 106-116.
- Barretr, R. (2010). *The Importance of Values in Building a High Performance Culture*. Retrieved from Barrett Values Center Website: <http://www.valuescentre.com/>
- Batjargal, B. (2003). Social capital and entrepreneurial performance in Russia: a longitudinal study. *Organization Studies*, 24, 535-556.
- Baum, J. R., & Locke, E. A. (n.d.). The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth. *Journal of Applied Psychology*, 89(4), 587–598.
- Baum, J. R., Locke, E. A., & Kirkpatrick, S. (1998). A longitudinal study of the relation of vision and vision communication to venture growth in entrepreneurial firms. *Journal of Applied Psychology*, 83(1), 43-54.
- Beck, T., Demirguc-Kunt, A., & Levine, R. (2005). SMEs, Growth, and Poverty: Cross-Country Evidence. *Journal of Economic Growth*, 10, 199-229.
- Bernardes, E. S., & Hanna, M. D. (2009). A theoretical review of flexibility, agility and responsiveness in the operations management literature: toward a conceptual definition of customer responsiveness. *International Journal of Operations & Production Management*, 29(1), 30-53.
- Bhamra, R., Dani, S., & Burnard, K. (2011). Resilience: the concept, a literature review and future directions. *International Journal of Production Research*, 49(18), 5375-5393.
- Bigsten, A., Collier, P., Dercon, S., Fafchamps, M., Gauthier, B., Gunning, J., . . . Zeufack, A. (2000). Credit constraints in manufacturing enterprises in Africa. *The Centre for the Study of African Economies Working Paper Series*, Working Paper 134.
- Bowen, M., Morara, M., & Mureithi, M. (2009). Management of business challenges among small and micro enterprises in Nairobi, Kenya. *KCA Journal of Business Management*, 2(1), 16-31.
- Briggs, B. R. (2009). Issues affecting Ugandan indigenous entrepreneurship in trade. *African Journal of Business Management*, 3(12), 786-797.
- Chen, M. (2007). Entrepreneurial Leadership and New Ventures: Creativity in Entrepreneurial Teams. *Entrepreneurial Leadership and New Ventures*, 16(3), 239-249.
- CMA. (2010). *Capital Raising Opportunities for SMES: The Development of Micro-cap Securities Markets in Kenya*. Retrieved from Capital Markets Authority Website: [www.cma.or.ke/index.php?option=com\\_docman&task=doc](http://www.cma.or.ke/index.php?option=com_docman&task=doc)

- Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic management journal*, 10(1), 75-87.
- Daily, C. M. (n.d.). Governance and strategic leadership in entrepreneurial firms. *Journal of management*, 28(3), 387-412.
- Deloitte Consulting Ltd. (2012). *2011 East African Private Equity Confidence Survey: Promising 2012*. Retrieved September 26, 2012, from [http://www.deloitte.com/assets/Dcom-Kenya/Local%20Assets/Documents/Deloitte%20Private%20Equity%20Survey\\_2012.pdf](http://www.deloitte.com/assets/Dcom-Kenya/Local%20Assets/Documents/Deloitte%20Private%20Equity%20Survey_2012.pdf)
- Dickson, M. W., BeShears, R. S., & Gupta, V. (2004). The Impact of Societal Culture and Industry on Organizational Culture: Theoretical Explanations. In R. House, P. Hanges, M. Javidan, P. Dorfman, & V. and Gupta, *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. CA, USA: Sage Publications.
- Dorfman, P. W., & House R. J. (2004). Cultural influences on organizational leadership: Literature review, Theoretical Rationale and GLOPE project goals. In R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman, & V. Gupta, *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies* (pp. 51-71). California, USA: Sage Publications, Inc. Thousand Oaks.
- Elhiraika, A., & Nkurunziza, J. (2006). *Facilitating Firm Entry, Growth and Survival with special attention to SMEs*. UNECA. Addis Ababa, Ethiopia: African Trade Policy Centre.
- Engelen, A., Gupta, V., Strenger, L., & Brettel, M. (2012). Entrepreneurial Orientation, Firm Performance, and the Moderating Role of Transformational Leadership Behaviors. *Journal of Management*. doi:DOI: 10.1177/0149206312455244
- Ensley, M., Hmieleski, K. M., & Pearce, C. L. (2006). The Importance of Vertical and Shared Leadership within New Venture Top Management Teams: Implications for the Performance of Startups. *The leadership Quarterly*, 217-231. doi:doi:10.1016/j.leaqua.2006.02.002
- Enterprise and Industry Publications. (2005). *The new SME definition User guide and model declaration*. European Commission.
- Fillon, L. J. (n.d.). Visions and relations: element for an entrepreneurial metamodel. *International Small Business Journal*, 9(2), 26- 40.
- Frese, M. (2000). *Success and failure of microbusiness owners in Africa: A psychological approach*. Westport, Conn.: Quorum Books, Greenwood Publications.
- Gamser, M. (2003). Improving the Business Trade Licensing Reform Environment. Retrieved from <https://openknowledge.worldbank.org/handle/10986/9136>
- Goosen, C. J., De Coning, T. J., & Smit, E. M. (2002). Corporate entrepreneurship and financial performance, the role of management. *SA Journal of Business Management*, 33(4), 21-27.
- Gronn, P. (2000). Distributed properties: A new architecture for leadership. *Educational Management & Administration*, 28(3), 317 - 338.
- Gupta, V. M., & Surie, G. (2004). Entrepreneurial leadership: Developing and measuring a cross-cultural construct. *Journal of Business Venturing*, 19(2), 241-260.
- Hambrick, D. C. (2007). Upper echelons theory: An update. *Academy of management review*, 32(2), 334-343.
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of management review*, 9(2), 193-206.
- Hmieleski, K. M., & Corbett, A. C. (2008). The contrasting interaction effects of improvisational behavior with entrepreneurial self-efficacy on new venture performance and entrepreneur work satisfaction. *Journal of Business Venturing*, 23(4), 482-496.
- Hobohm, S. (2001). Small and Medium-Sized Enterprises in Economic Development: The UNIDO Experience. *Journal of Economic Cooperation*, 22(1), 1-42.

- IFAD. (n.d.). *IFAD operations in East and Southern Africa*. Retrieved from IFAD Website: <http://www.ifad.org/operations/projects/regions/pf/>
- Indarti, N., & Langenberg, M. (2004). *Factors Affecting Business Success Among SMEs: Empirical Evidences From Indonesia*. Retrieved November 24, 2011, from <http://www.utwente.nl/mb/nikos/archief/esu2004/papers/>
- Ireland, R. D. (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of management*, 29(6), 963-989.
- IRIS Center. (2008). *Microenterprises in Bangladesh: Contribution to Economic Growth*. College Park, MD: IRIS Center.
- Jackson, T. (2002). The Management of People across Cultures: Valuing People Differently. *Human Resource Management*(41), 455-475.
- Jackson, T. (2004). *Management and change in Africa: A cross-cultural perspective*. London: Routledge.
- Jackson, T., Amaeshi, K., & Yavuz, S. (2008). Untangling African indigenous management: Multiple influences on the success of SMEs in Kenya. *Journal of World Business*, 43, 400-416.
- Kaijage, E., & Wheeler, D. (2013). *Supporting Entrepreneurship Education in East Africa*. Nairobi.
- Kansikas, J., Laakkonen, A., Sarpio, V., & Kontinen, T. (2012). Entrepreneurial leadership and familiness as resources for strategic entrepreneurship. *International Journal of Entrepreneurial Behaviour & Research*, 18(2), 141-158.
- Kasser, T., Cohn, S., Kanner, A. D., & Ryan, R. M. (2007). Some costs of American corporate capitalism: A psychological exploration of value and goal conflicts. *Psychological Inquiry*, 18(1), 1-22.
- Khayesi, J. N., & Gerard George, G. (2011). When does the socio-cultural context matter? Communal orientation and entrepreneurs' resource accumulation efforts in Africa. *Journal of Occupational and Organizational Psychology*, 84, 471-492.
- Kioy, D. (2011). *Matatu entrepreneurs' A study on investors in Kenya's informal transport business*. Lambert Academic Publishing.
- Kirkpatrick, S. A., & Locke, E. A. (1996). Direct and indirect effects of three core charismatic leadership components on performance and attitudes. *Journal of Applied Psychology*, 81(1), 36-51.
- Kushnir, K., Mirmulstein, M., & Ramalho, R. (2010). *Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count?* World Bank/International Finance Corporation. Retrieved from <http://www.ifc.org/wps/wcm/connect/9ae1dd80495860d6a482b519583b6d16/MSME-CI-AnalysisNote.pdf?MOD=AJPERES>
- Liao, J., Welsch, H., & Stoica, M. (2003). Organizational Absorptive Capacity and Responsiveness: An Empirical Investigation of Growth-Oriented SMEs. *Entrepreneurship Theory and practice*, 28(1), 63-85.
- Lin, Y. C. (1998). Success Factors of Small- and Medium Sized Enterprises in Taiwan: An Analysis of Cases. *Journal of Small Business Management*, 36(4), 43-56.
- Mead, D. L. (1998). The Dynamics of Micro and Small Enterprises in Developing Countries. *World Development*, 26(1), 61-74.
- Namatovu, R., Balunywa, W., Kyejjusa, S., & Dawa, S. (2010). *GEM Uganda 2010 Executive Report*. Global Entrepreneurship Monitor. Retrieved from <http://www.mubs.ac.ug/home/docs/GemUG2010ExecRep.pdf>
- Newbert, S. L. (2007). Empirical research on the resource-based view of the firm: an assessment and suggestions for future research. *Strategic Management Journal*, 28(2), 121-146.



- Nichter, S., & Goldmark, L. (2009). Small Firm Growth in Developing Countries. *World Development*, 37(9), 1453-1464. doi:10.1016/j.worlddev.2009.01.013
- Ntayi, J. M., Eyaa, S., Zeija, F., & Rooks, G. (2011). *Contract Enforcement in Ugandan Business Transactions: The Case of Small and Medium Enterprises*. Dakar, Senegal: Investment Climate and Business Environment Research Fund (ICBE).
- Okello-Obura, C., Minishi-Majanja, M. K., Cloete, L., & Ikoja-Odongo, J. R. (2008). Sources of Business Information and Means of Access Used by SMEs in Uganda: The Case of Northern Uganda. *Library and Information Science Research Electronic Journal*, 18(1), 1-27.
- Olawale, F., & Garwe, D. (2010). Obstacles to the growth of SMEs in South Africa. *African Journal of Business Management*, 4(5), 729-739.
- Pearson, A. W., Carr, J. C., & Shaw, J. C. (2008). Toward a theory of familiness: A social capital perspective. *Entrepreneurship Theory and Practice*, 32(6), 949-969.
- Philip, M. (2010). Factors Affecting Business Success of Small & Medium Enterprises. *Asia Pacific Journal of Research in Business Management*, 1(2), 1-15.
- Ramachandran, V., & Shah M.K. (1999). Minority Entrepreneurs and Firm Performance in Sub-Saharan Africa. *The Journal of Development Studies*, 36(2), 71-87.
- Rheault, M., & Tortora, B. (n.d.). *At Least 1 in 5 African Youth Plan to Start a Business*. Retrieved from <http://www.gallup.com/poll/148271/least-african-youth-plan-start-business.aspx>
- Rhoades, L., Eisenberger, R., & Armeli, S. (2001). Affective commitment to the organization: the contribution of perceived organizational support. *Journal of applied psychology*, 86(5), 825-836.
- Rose, R. C., Kumar, N., & Yen, L. L. (2006). Entrepreneurs Success Factors and Escalation of Small and Medium-sized Enterprises in Malaysia. *Journal of Social Sciences*, 2(3), 74-80.
- Sarasvathy, S. D. (2001). Causation and effectuation; towards a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26(2), 243-263.
- Sejjaaka, S. (2011). Determinants of IPO readiness in emerging markets: the case for Ugandan firms. *Macroeconomics and Finance in Emerging Market Economies*, 4(2), 269-288.
- Semboja, H. H. (2009). East African Economic Integration Base Case Economic Analysis. *African Integration Review*, 3(2), 185-222.
- Spillane, J., Halverson, R., & Diamond, J. (2004). Towards a Theory of Leadership Practice: A Distributed Perspective. *Curriculum Studies*, 3 - 34.
- Swiercz, P. M., & Lydon, S. R. (2002). Entrepreneurial leadership in high-tech firms: a field study. *Leadership & Organization Development Journal*, 23(7), 380-389.
- Temtime, Z. T., & Pansiri, J. (2004). Small Business Critical Success/Failure Factors in Developing Economies: Some Evidences from Botswana. *American Journal of Applied Science*, 1(1), 18-25.
- Thandeka, R. K. (2008). SME success in South Africa. *A critical Analysis of Entrepreneurial and Business Skills in SMEs in the Textile and Clothing Industry in Johannesburg, South Africa*. Pretoria, South Africa: University of Pretoria.
- The Republic of Uganda. (2011). *The National Micro, Small And Medium Enterprise (MSME) Policy*. Ministry of Finance, Planning and Economic Development.
- Thompson, C., McCaughan, D., Cullum, N., Sheldon, T. A., & Raynor, P. (2004). Increasing the visibility of coding decisions in team-based qualitative research in nursing. *International Journal of Nursing Studies*, 41, 15-20.



- Tushabomwe-Kazooba, C. (2006). Causes of Small Business Failure in Uganda: A Case Study from Bushenyi and Mbarara Towns. *African Studies Quarterly*, 8(4).
- Uhl-Bien, M., Marion, R., & McKelvey, B. (2007). Complexity leadership theory: Shifting leadership from industrial age to the knowledge era. *The Leadership Quarterly*, 18, 298-318.
- Vogus, T. J., & Sutcliffe, K. M. (2007). Organizational resilience: towards a theory and research agenda. *IEEE International Conference on* (pp. 3418-3422). IEEE.
- Vyakarnam, S., Bailey, A., Myers, A., & Burnett, D. (1997). Towards an understanding of ethical behaviour in small firms. *Journal of Business Ethics*, 16(15), 1625-1636.
- Walker, E., & Brown, A. (2004). What Success Factors are Important to Small Business Owners? *International Small Business Journal*, 22(6), 577-594.
- Wang, C. L. (2012). Entrepreneurial leadership and context in Chinese firms: a tale of two Chinese private enterprises. *Asia Pacific Business Review*, 18(4), 505-530.
- Witt, P. (2004). Entrepreneurs' networks and the success of start-ups. *Entrepreneurship & Regional Development*, 16, 391-412.
- Yang, C. (2008). The relationship among leadership styles, entrepreneurial orientation and business performance. *Managing Global Transitions*, 6(3), 257-275.
- Yang, X., Peng, Y., & Lee, Y. (2008). The Confucianism and Mencian philosophy of benevolent leadership. In C. C. Chen, & Y. T. Lee, *Leadership and management in China* (pp. 31-50). New York: Cambridge University Press.
- Yli-Renko, H., Autio, E., & Sapienza, H. J. (2001). Social capital, knowledge acquisition, and knowledge exploitation in young technology-based firms. *Strategic management journal*, 22(6-7), 587-613.

## Appendix

### Appendix A: questions for the face -to –face interviews

Interview questions	Follow up questions
1. I would like to learn about the beginnings of your organization	<ul style="list-style-type: none"> <li>a. How did you start?</li> <li>b. Where did get the money?</li> <li>c. What attracted you to this business?</li> <li>d. What were your initial excitements when you started?</li> </ul>
2. How has your business managed to survive up to this time?	<ul style="list-style-type: none"> <li>a. Tell me about the most important things that have contributed to the success of your enterprise</li> <li>b. What sort of networks are you involved?</li> <li>c. How useful are these networks to your success?</li> </ul>
3. Starting a business is a risky affair involving many uncertainties, especially at the start-up stage, tell me how you have dealt with this challenge.	<ul style="list-style-type: none"> <li>a. How did your employees/partners respond?</li> <li>b. What did you do to help me them deal with the uncertainty?</li> </ul>
4. Let us talk about your employees, How do you manage employees to produce success?	<ul style="list-style-type: none"> <li>a. How did you identify them in the first place when you started?</li> <li>b. What is the most exciting thing for an employee working in your organization?</li> <li>c. Is there anything else that can be done to manage employees better?</li> </ul>
5. Tell me about one most important thing that brings out the best of the employees in this organization.	<ul style="list-style-type: none"> <li>a. What makes them feel they are important and can make a difference in the organization?</li> <li>b. What is the common purpose that unites everyone and makes him or her feel proud?</li> <li>c. How is communication done and nurtured? Inquire how the organization shows commitment to its employees. How they develop the employees?</li> </ul>
6. There is the issue of involving family and relatives in running of the business	<ul style="list-style-type: none"> <li>a. To what extend are your family members involved?</li> <li>b. How is this helpful?</li> <li>c. What are the risks involved?</li> </ul>

## Appendix B: Codes and Emergent Categories<sup>2</sup>

Name	Sources	No. of codes	Name	Sources	No. of codes
<b>building commitment</b>	<b>25</b>	<b>204</b>	re-investing profits	5	5
empowering employees	18	74	diversification	4	5
freedom to work	7	12	focus on core business	5	5
make staff responsible	7	12	organic growth	4	4
equipping with skills	6	10	building trust	2	4
delegating responsibility	8	10	strategic partnership	3	3
staff development	6	9	dealership	3	3
trusting employees	6	8	choosing your battles right	3	3
involvement in decision making	7	8	multi-tasking	3	3
sharing ideas	4	5	serendipity	3	3
building relations with employees	19	49	governance	1	3
good relationship with my staff	10	21	develop partnerships	1	2
treat them well	4	10	alignment	1	1
respect employees	5	6	growth	1	1
valuing employees	4	4	internet strategy	1	1
showing compassion	2	3	competitive strategy	17	37
be friendly	3	3	focus on superior quality	8	13
fun retreats	2	2	unique product	4	6
motivating staff	17	39	execution of duty	6	6
pay staff well and promptly	13	14	promoting the company	4	4
giving incentives	10	11	expansion	3	3
facilitating employees	4	4	affordable price	2	2
help them invest	2	3	strategic location	2	2
team work	3	3	creating a brand	1	1
motivational talk	2	2	knowledgeable	17	30
good work environment	2	2	knowledge about market	10	12
communication	12	28	technical knowledge	7	10
holding meetings	7	12	knowledge of the business	6	6
discussion	5	5	management knowledge	2	2
available for consultation	4	4	creativity and innovation	9	17
working retreats	3	4	<b>Anticipation</b>	<b>23</b>	<b>95</b>
open door policy	2	3	path clearing	20	82
feel ownership	7	14	overcoming relatives' pressure	14	26
<b>Resourcefulness</b>	<b>25</b>	<b>145</b>	negotiation	6	25
sustainability strategy	24	61	vetting employees	8	11
hands-on involvement	7	7	showing commitment and dedication	8	9
play tricks	3	6	guard self from distraction	2	3
			burn the bridges	3	3

<sup>2</sup> Major theme indicated by bold fonts

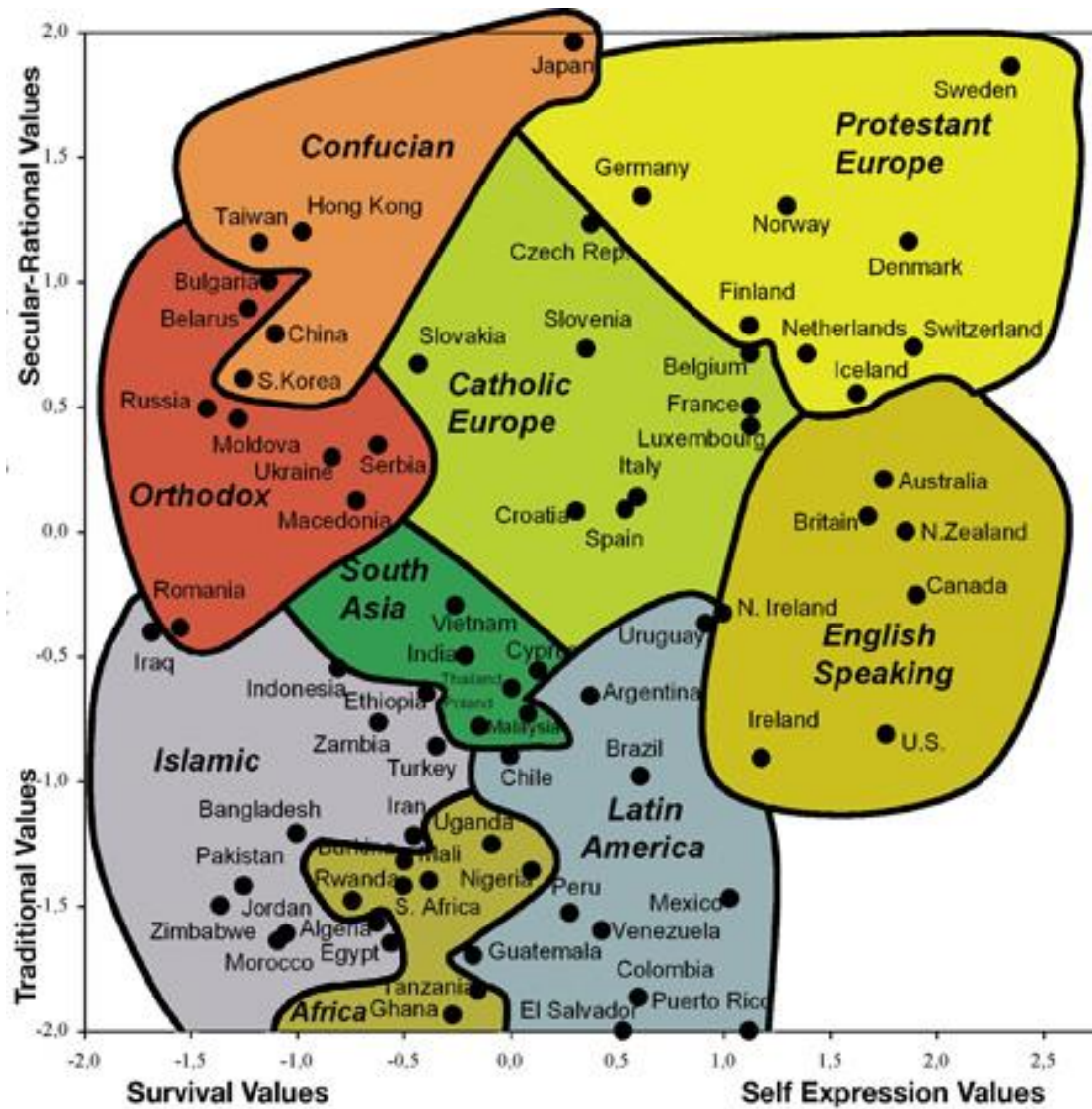
Name	Sources	No. of codes	Name	Sources	No. of codes
stand for your right	3	3	aggressiveness	8	13
terminate non-performers	2	2	risk taking	8	9
absorbing uncertainty	7	13	openness to risk	1	1
shouldering responsibility	4	7	<b>Visioning</b>	<b>18</b>	<b>59</b>
room for mistakes	3	4	the vision	8	21
<b>Responsiveness</b>	<b>26</b>	<b>93</b>	have clear vision	7	9
openness to learning	19	39	share the vision	4	9
learning from experience	6	10	feel your vision	1	3
reading	6	8	framing the challenge	12	19
back to school	5	6	stay positive	5	8
listening	4	5	love your business	6	8
share ideas at workplace	4	4	role modeling	1	1
openness to ideas	3	3	aspiring for bigger things	1	1
learning from peers	1	2	inculcating organizational culture	7	19
alertness	1	1	train employees	5	10
customer care	12	23	orientation of new employees	3	4
customer feedback	5	11	mentorship by older employees	1	2
customer satisfaction	3	4	telling employees	1	1
build customer confidence	3	3	playing role model	1	1
connecting with clients	3	3	standing firm	1	1
understand customer	2	2	<b>Social Capital</b>	<b>21</b>	<b>55</b>
research	8	17	getting help from others	11	20
adaptability	10	14	business through networks	9	10
adopting technology	7	9	consulting experts	6	9
adaptable to changes	5	5	hiring through networks	5	7
<b>Personal values</b>	<b>22</b>	<b>79</b>	supplies from networks	3	3
faith in God	7	24	learning from networks	3	3
passion	6	12	collaboration	1	3
persistence	6	11	<b>Organization</b>	<b>16</b>	<b>54</b>
discipline	5	8	structures and systems	5	11
resilience	4	7	recruitment	8	11
honesty	5	6	management team	8	9
keep your word	6	6	planning	5	6
transparency and integrity	2	3	rules and guidelines	3	4
patience	1	2	keeping records	4	4
Leader entrepreneurial orientation	15	66	formalizing relationship	2	3
reactiveness	9	29	board of directors	3	3
autonomy	5	14	professionalism	1	3

Name	Sources	No. of codes	Name	Sources	No. of codes
<b>Experience with relatives</b>	<b>12</b>	<b>44</b>	employment experience	6	7
lack of control	6	7	failure experience	1	6
mismanaging business	5	6	family involvement business	3	5
feeling of entitlement	4	4	profession	1	4
underperforming	3	4	business ownership experience	3	3
pilfering	4	4	training	3	3
hire on merit	2	4	self-discovery	1	3
harassing staff	2	3	<b>source of funds</b>	<b>17</b>	<b>31</b>
fear of sacking	3	3	sideline small businesses	6	7
source of start capital	3	3	savings	5	5
untrustworthy	2	2	termination dues	4	5
creating tension	2	2	friends and associates	4	5
burned fingers	1	1	banks	4	4
not transparent	1	1	microfinance institutions	3	3
<b>employee qualities</b>	<b>13</b>	<b>37</b>	<b>reason for starting business</b>	<b>14</b>	<b>28</b>
multi-tasking	6	7	social responsibility	3	7
positive attitude	3	6	fired from employment	3	4
trustworthy	4	5	family responsibility	4	4
education not enough	2	4	inherited business	2	2
skilled	1	3	satisfaction	2	2
entrepreneurial	2	2	freedom and autonomy	2	2
drive behind	1	2	yearning to be self-employed	1	1
passionate	2	2	brother pulled me	1	1
dedicated	1	2	supplement income	1	1
lots of guts	1	1	no other choice	1	1
leadership skills	1	1	necessity	1	1
flexibility	1	1	need for independence	1	1
decisive	1	1	impact community positively	1	1
<b>family support</b>	<b>16</b>	<b>36</b>	<b>challenges in business</b>	<b>8</b>	<b>26</b>
succession planning	9	12	corruption in government	2	5
role model	9	11	causes of failure	1	5
running business	5	6	finance	2	4
advice and financial support	2	3	skeptics	2	2
leveraging family talents	3	3	unexpected problems	2	2
succession	1	1	discouragement from relatives	2	2
<b>locating self before success</b>	<b>10</b>	<b>33</b>	no bank support	1	1
experience	10	27	lack of market	1	1
			bad infrastructure	1	1
			managerial	1	1
			credit	1	1
			managing inventory	1	1
			<b>specifying limits</b>	<b>6</b>	<b>11</b>
			push for results	3	4
			throwing the challenge	3	4
			point mistakes	2	2
			differentiating abilities	1	1

## Appendix C: Description of Emerging Themes

	<b>Emergent Themes</b>	<b>Description</b>
1	Building commitment	The process of molding and inspiring the staff to extra effort in accomplishing organizational goals
2	Resourcefulness	Ways of dealing with the uncertainty and the obstacles that get in the way of attaining organizational objectives.
3	Anticipation & Resilience	Acting to preclude threats to enterprise success and being steadfast in the face of challenges
4	Responsiveness	Responding to market conditions to capitalize on opportunities
5	Personal values	Principals held by the leader that influence their decisions when running the business
6	Leader entrepreneurial orientation	Decision making activities and practices that lead to identification and exploitation of market opportunities
7	Visioning	Involves creation and articulation of a vision as well as maintaining a focused attention on it to ensure a unified purpose in the organization
8	Social capital	The resources SME leaders obtain from their voluntary association with others through various networks relationships with others (Baron & Markman, 2000)
9	Organization	The structures and arrangement put in place to ensure order prevails within the organization
10	Experience with relatives	Past experiences of SME leaders when working with relatives outside their immediate families
11	Employee qualities	Properties of employees the SME leaders look for when recruiting
12	Family support	Support received from immediate family members such spouses and parents
13	Locating self before success	Refers to self-description before attaining success, this has relevance in ascription of success
14	Source of funds	Sources of funds that the SME leaders relied on to start and re-capitalize businesses
15	Reason for starting business	Explanations of why the leaders decided to get involved in business
16	Challenges in business	Description of various impediments encountered in the course of steering the business to success
17	Specifying limits	Reshaping perceptions of staff and helping them eliminate self-imposed limits

Appendix D: World Value survey cultural map (2005 – 2008)



Source: [http://www.worldvaluessurvey.org/wvs/articles/folder\\_published/article\\_base\\_54](http://www.worldvaluessurvey.org/wvs/articles/folder_published/article_base_54)