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Influence of Management Style and Entrepreneurial Culture on the Performance of Family Owned Matatu Businesses in Nairobi; Kenya

Joseph Chumba and Bernadette Mutinda

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^{1*} Joseph Chumba and ²Bernadette Mutinda

^{1*}Postgraduate Student, Management University of Africa

²Lecturer, Management University of Africa

***E-mail of corresponding author: olechumba@yahoo.com**

Abstract

In Kenya the transport sector plays an important role in integrating the various sectors of the economy. Matatus sector is one of the country's informal industry that provide service to millions of people each day and are essentially the backbone of the transportation system in Kenya. Matatus account for an estimated 80% of the total public transport in the country. However there is lack of proper management skills by the owners especially in the family owned Matatu business. Total failure by the regulatory authorities in properly playing their part, and excessive interference by various tertiary unauthorized groups are the main challenges facing the Matatu transport sector. Both the investors (family) and their employees are not trained or well developed for the long term need of the industry. These investors are not economically and technically capable of dealing with the dynamics and frequent changes that take place within the industry. From these trend, the study sought to examine the influence of management style and entrepreneurial culture on the performance of family owned Matatu business in Nairobi, Kenya. Descriptive design was adopted by the study. The target population of the study comprised of 7000 Matatu owners in Nairobi and a sample size of 364 registered Matatu owners were selected using random sampling method. Questionnaires were used to collect primary data that was compared to secondary data and analyzed using descriptive statistics. Correlation and multiple linear regression analysis model was used test the relationship between the factors affecting matatu business and performance. The study found out that management style and entrepreneurship culture had a positive and significant effect on the performance of family owned Matatu Business in Nairobi. The study concluded that management style and entrepreneurial culture is a crucial field within the environment of the Matatu business. It was recommended that regulators bodies ought to be included in future research on Matatu sector.

Keywords: *Management style, entrepreneur culture, Performance and Matatu Sector*

1.0 Introduction

1.1 Background of the Study

The creation of a country's wealth and dynamism depends upon the competitiveness of its firms and this, in turn, relies fundamentally on the capabilities of its entrepreneurs. The businessmen that manage economic activity are, in the strictest sense, managers and entrepreneurs, the latter in a double sense: the individual businessman (independent) and the corporate entrepreneur who, without participating significantly in terms of capital, controls the firm (Nyasetia, 2013). Many sectors of the economy will offer opportunities to investors and the transport industry is one such an avenue. Transport industry offers much diversity that encompasses wide areas such as rail transport, air transport, motor vehicle transport and transport by sea. In investing capital to a business, the focus of an entrepreneur is purely to succeed and to have the business live to be enjoyed by the future generation. Researchers have put performance stories of new business living to envisage the vision of the founders to be about 50 % (Klein & Sorra, 1996).

According to statistics published by the Small Business Administration (SBA), seven out of ten new employer establishments survive at least two years and 51 percent survive at least five years. One such an enterprise that is domiciled in the transport industry is the much hyped public transport. Whilst in other parts of the world the type of enterprise is performance story, the same performance has not been emulated in Kenya. There are multiple of contributing factors that negate such in this industry that has been christened as chaotic sector (Klein & Sorra, 1996).

Matatu entry in public transport in Kenya can be dated to the mid-1950s, when they started operating in Nairobi and were considered an illegal commercial entity. The Matatus faced harassment from the Nairobi City Authorities and the Kenya Bus Service, a major transport monopoly in Nairobi then. It had to take a presidential intervention for the Matatu to break in the transport niche that was the domain of a multi-national company working in collaboration with the local civic authority. Since then the Matatu industry has grown to take full control of the public transport system in Kenya (Kwenji, 2013). In spite of this a number of intervention by the government have been carried out to regulate the sector. These include the introduction of very stringent regulations such as the famous Michuki laws, the traffic amendment act of 2012 and the operations of the members through SACCOS. The sector has also faced other challenges such as the illegal gangs menace and the deep rooted corruption that deny the operators funds to further the sector (Kwenji, 2013).

The performance of the Matatu sector can be measured using growth indicators which may include the number of new Matatus that enter the designated routes, the profitability of the sector, the lifespan of the Matatus, the number of jobs the sector creates every year, the growth of the Matatu SACCOS and the lawlessness in the sector (Chitere, 2004). However a family owned Matatu business are often overlooked form of ownership. As family owned Matatu business expands from their entrepreneurial beginnings, they face unique performance and governance challenges. The generations that follow the founder, for example, may insist on running the company even though they are not suited for the job. And as the number of family shareholders increases exponentially generation by generation, with few actually working in the business, the commitment to carry on as owners can't be taken for granted. Indeed, less than 30 percent of family owned Matatu business survives into the third generation of family ownership.

However, those that do, tend to perform well over time compared with their corporate peers, according to recent McKinsey research. Their performance suggests that they have a story of

interest not only to family businesses around the world, of various sizes and in various stages development, but also to companies with other forms of ownership (Caspar & Elstrodt, 2010). Most of the long-term survivors usually share a meritocratic approach to management.

1.2 Statement of the Problem

In Kenya Matatu business plays two very important roles to the public, one in provision of transport services and two a source of economic income to the many in the country. However thesetwo major benefits have remained a mirage due to lack of proper management skills by the ownersespecially in the family owned Matatu business, total failure by the regulatory authorities in properly playing their part, and excessive interference by various tertiary unauthorized groups. Both the investors (family) and their employees are not trained or well developed for the long termneed of the industry. Lack of proactive ness, innovativeness, risk taking and overall poor entrepreneurial culture/orientation has negatively impacted on the Matatu industry. The said investors are not economically and technically capable of dealing with the dynamics and frequentchanges that take place within the industry and neither do their employees provide the much needed after sales service to their clients who are the passengers.

Nyasetia, (2013) conducted a study on the influence of entrepreneurial personality, human capital and entry barriers on performance of entrepreneurs in the informal transport business in Nairobi, Kenya. Mwaura, (2014) conducted a study on determinants of financial performance of public transport businesses in Kenya: case of Kiambu county. Findings indicated that there was very little training organized by the Saccos and that the little that was being done didn't have an impact on the financial performance on the Matatu businesses. Premised on these findings this study focused on the management style and entrepreneurial culture affecting the performance of family owned Matatu business in Nairobi, Kenya.

1.3 Specific objectives

- i. To establish the effect of management style on the performance of family owned Matatu Business in Nairobi, Kenya.
- ii. To determine the effect of entrepreneurial culture on the performance of family owned Matatu Business in Nairobi, Kenya.

1.4 Research questions

- i. What is the effect of management style on the performance of family owned Matatu Business in Nairobi, Kenya?
- ii. What is the effect of entrepreneurial culture on the performance of family owned Matatu Business in Nairobi, Kenya?

2.0 Literature Review

2.1 Theoretical Review

The theories that supported the study include Scientific Theory of Management and Social-Cultural Approach. This are presented in figure 1.

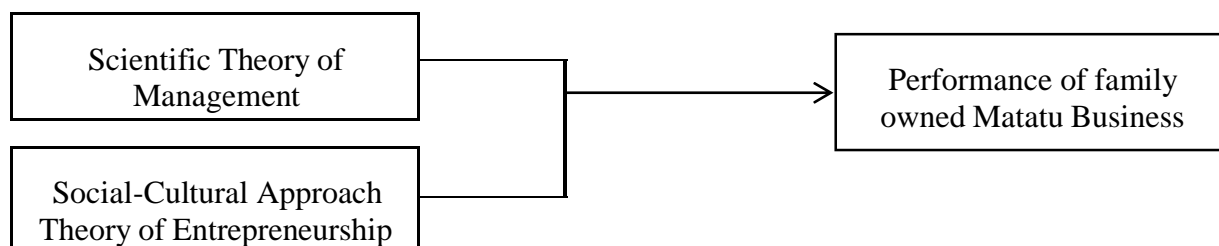


Figure 1: Theoretical Framework

2.2 Empirical Review

The study appraised the relevant and related literature on the current study. The appraisal enhanced clear and concise understanding of the research problem. The review was carried out in accordance with the study objectives.

Ligthelm, Veysel and Oğuzhan (2002) asserted that the deficiencies in the internal environment are the major cause of failures in small and medium enterprises and they revolve around among others management skills. This problem comes from some specific management issues such as lack of business management training and skills, inability to act as an entrepreneur and limited family business culture. They finally pointed out that management behavior and actions that are lacking; inability to set strategic goals, plan forward, reluctance to seek advice, lack of management commitment and unwillingness to adapt change. Ligthelm *et al.*, (2002) states that financial management is a crucial field within the environment of the small and medium enterprises thus present numerous potential obstacles. Management competence is often determined by the availability of management and financial information.

Mochache (2005) observed that the importance of training and how it enhances growth and competitiveness of the SME's. Training empowers owners and employers to make better decisions and provide better quality goods and services. He further noted that the training duration is influenced by the competency required for the particular trade. Managerial skills are important in making decisions which are non-routine and strategic in nature.

According to Mfinanga (2008), managerial skills are important in running any business. In recent years, organizations have been buffeted by massive need for reaching social, technological and economic changes. This puts a lot of pressure on business from all sectors. Managerial skills assist managers to solve issues that are directly relevant to the current, fast shifting business environment (Martin and Staines, 2008). Management today requires the full breadth of management skills and capabilities. In the tradition of world of work, management was to control and limit people, enforce rules and regulations, seek stability and efficiency, design top-down hierarchy and achieve bottom line results. To spur innovation and achieve high performance, managers need different skills to engage workers hearts and minds as well as take advantage of their physical labor. According to Kamuhanda and Schmidt (2009), purchasing a Matatu and recovering initial costs is a concern for

owners. This can be initially difficult but general expectation is that a sizeable profit can be realized in a relatively short period of time. The owners must consider the basic cost of operations, including expenditures. Expenditures such as fuel, salaries and insurance are the most expensive costs for owners. For them to ensure that costs are recovered, owners set a target for daily profits, and this encourages Matatus to overcrowd.

Gompers, Anna and David (2008), did a research on performance persistence in entrepreneurship. Their findings revealed that entrepreneurs with a track record of performance are much more likely to succeed than first-time entrepreneurs and those who have previously failed. In particular, they exhibit persistence in selecting the right industry and time to start new ventures. The research further revealed that entrepreneurs with demonstrated market timing skill are more likely to outperform industry peers in their subsequent ventures. However the Authors only dealt with the issue of persistence in business ignoring the other indicators of performance thus presenting a conceptual gap.

Fauzul, Takenouchi and Yukiko (2010), in their study were of the view that entrepreneurship has played an important role in economic growth, innovation, competitiveness and in poverty alleviation. Their study focused on investigating the degree of Entrepreneurial Orientation of twenty five manufacturing Small and Medium scale Enterprises (SMEs) in Hambantota District, Sri Lanka (HDSL) and the effects of entrepreneurial orientation dimensions including proactiveness, innovativeness, and risk taking to business performance. Interviews were used as the main instrument for data collection. Qualitative and quantitative techniques were applied for data analysis. Findings showed that proactiveness, innovativeness, risk taking and overall entrepreneurial orientation were significantly correlated with market share growth. Results further indicated that there were positive correlations among proactiveness and entrepreneurial orientation with business performance. However the authors only dealt with the issues of proactiveness, innovativeness, and risk taking to business performance and ignored the other indicators of business performance.

Zainol and Ayadurai (2011) tried to examine entrepreneurial orientation (EO) in Malay family firms by taking personality traits as the antecedent. This construct was used to explain the influence of entrepreneurial orientation (EO) and its consequence towards firm performance. The impact of personality traits towards firm performance observed in Malay family firms was quite unique. In Malay firms, the relationship between personalities traits with firm performance was not mediated by entrepreneurial orientation (EO). However, the construct is significant as predictor towards firm performance. Their studies provided the empirical test in understanding indigenous entrepreneurship in Malay family firms in Malaysia towards developing a more holistic entrepreneurship theory. However the authors only concentrated on Personality traits and forgot to include other indicators of entrepreneurial performance.

2.3 Conceptual Framework

The goal of a conceptual framework is to categorize and describe concepts relevant to the study and map relationships among them (Kothari, 2004). Such a framework would help researchers define the concept, map the research terrain or conceptual scope, systematize relations among concepts, and identify gaps in literature. The study focused on the relationship between independent variables (management skills and entrepreneurial culture) and dependent variable performance of family owned Matatu business in Nairobi, Kenya. This was graphically represented in figure 2.

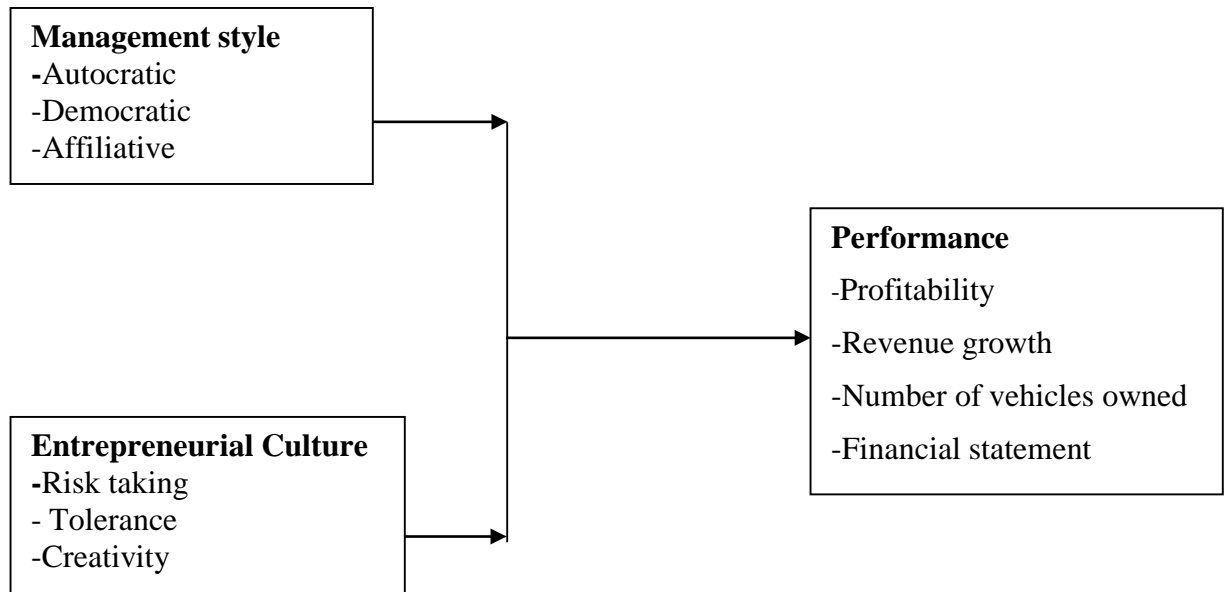


Figure 2: Conceptual framework

3.0 Research Methodology

The study employed a descriptive research design. The targeted population was 7000 registered family Matatu owners and the sample size of 364 respondents was obtained using stratified random sampling. The strata were based on route taken by the Matatu and these included North, South, West and East. Questionnaires were used to obtain data, which was analyzed by the use of descriptive statistics. Correlation and multiple linear regression analysis model was used to test the relationship between the factors affecting Matatu business and performance.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \mu$$

Where;

Y=Performance of family owned Matatu business

X_1 = Management Style

X_2 = Entrepreneurial culture

μ =Error term

4.0 Results and Findings

4.1 Management Style

The study established the effect of management style on the performance of family owned Matatu Business in Nairobi. The responses were rated on a five likert scale as presented in Table 1.

Majority of the respondents 78.8%(50%+28.8%) agreed with the that managerial experience contributed greatly towards the performance of the Matatu business, 70.2% agreed with the that democratic management style contributed greatly to the performance of family owned Matatu business, 65.7% of the respondents agreed that the affiliative management style contributes greatly to the performance of family owned Matatu business, while 76.6% of the respondents agreed that autocratic management style contributed greatly to the performance of family owned Matatu business. On a five point scale, the average mean of the responses was 3.79 which meant that majority of the respondents were agreeing with most of the statements; however the answers were varied as shown by a standard deviation of 1.15. This finding agrees with that of Ligthelm Veysel Süleyman and Oğuzhan (2002) observed that the deficiencies in the internal environment are the major cause of failures in small and medium enterprises and they revolve around among others management skills. This problem comes from some specific management issues such as lack of business management training and skills, inability to act as an entrepreneur and limited family business culture

Table 1: Management Style

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Managerial Experience contributes greatly towards the performance of the Matatu business.	4.80%	7.70%	8.70%	50.00%	28.80%	3.9	1.053
Democratic management style contributes greatly to the performance of family owned Matatu business	5.10%	11.90%	12.80%	34.60%	35.60%	3.84	1.182
Affiliative management style contributes greatly to the performance of family owned Matatu business	11.20%	4.80%	18.30%	37.20%	28.50%	3.67	1.251
Autocratic management style contributes greatly to the performance of family owned Matatu business	7.10%	9.60%	6.70%	54.20%	22.40%	3.75	1.12
Average						3.79	1.15

4.2 Entrepreneurial Culture

The study also determined how entrepreneurial culture influenced the performance of family owned Matatu Business in Nairobi. The responses were rated on a five likert scale and the results presented in Table 2. Sixty eight point three percent(12.50%+55.8%) of the respondents agreed with the that risk taking was one of the requirements if one wanted to succeed in business, 70.8% agreed that to succeed in business, one had to seriously exercise the art of tolerance, 79.2% of the respondents indicated that creativity in Matatu business was a major factor to be considered if one wanted to succeed, while 81.8% agreed that for someone to have an impact and therefore he/she make some business performances, you must be self-confident. The results implied that

entrepreneurial culture influence performance of family owned Matatu business since majority of the respondents agreed with most of the statements. On a five point scale, the average mean of the responses was 3.94 which mean that majority of the respondents agreed with the statements; however the answers were varied as shown by a standard deviation of 1.20. This finding agrees with that of Fauzul, Takenouchi.and Yukiko (2010) who in their study were of the view that entrepreneurship has played an important role in economic growth, innovation, competitiveness and in poverty alleviation. Findings showed that proactive ness, innovativeness, risk taking and overall entrepreneurial orientation were significantly correlated with market share growth. Results further indicated there were positive correlations among proactive ness and entrepreneurial orientation with business performance.

Table 2: Entrepreneurial Culture

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
Risk taking is one of the requirements if one wants to succeed in business.	16.00%	6.40%	9.30%	12.50%	55.80%	3.86	1.528
To succeed in business, one has to seriously exercise the art of tolerance.	4.50%	15.40%	9.30%	39.40%	31.40%	3.78	1.176
Creativity in Matatu business is a major factor to be considered if one wants to succeed.	4.50%	4.80%	11.50%	40.40%	38.80%	4.04	1.049
For you to have an impact and therefore make some business performances, you must be self-confident.	4.80%	4.50%	9.00%	41.70%	40.10%	4.08	1.049
Average						3.94	1.20

Correlation Analysis

Correlation analysis was conducted to establish the association between independent variables (entrepreneurial culture and management style) and dependent variable performance of family owned Matatu. The results revealed that management style and performance of Matatu business were positively and significant related ($r=0.0440$, $p=0.044$). The table further indicated that entrepreneurial culture and performance of Matatu business are positively and significantly related ($r=0.266$, $p=0.000$). The result are presented on Table 3.

Table 3: Correlation Matrix

		Performance	Management style	Entrepreneurship culture
Performance	Pearson			
	Correlation	1.000		
Management style	Pearson			
	Correlation	0.044*	1.000	
	Sig. (2-tailed)	0.044		
Entrepreneurship culture	Pearson			
	Correlation	.266**	-0.095	1.000
	Sig. (2-tailed)	0.000	0.095	

** Correlation is significant at the 0.01 level (2-tailed).

4.4 Regression Analysis

The study established the relationship between the management style, entrepreneurial culture and performance of family owned Matatu Business in Nairobi, Kenya. The results presented in table 4 present the fitness of model used for the regression model in explaining the study phenomena. Management style and entrepreneurship culture were found to be satisfactory variables in performance. This was supported by coefficient of determination also known as the R square of 51.8%. This meant that Management style and entrepreneurship culture explained 51.8% of the variations in the performance of Matatu business. This results further meant that the model applied to link the relationship of the variables was satisfactory.

Table 4: Model Fitness

Indicator	Coefficient
R	0.72
R Square	0.518
Adjusted R Square	0.162
Std. Error of the Estimate	0.46779

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

Table 5 provides the results on the analysis of the variance (ANOVA). The results indicated that the overall model was statistically significant. Further, the results implied that the independent variables were good predictors of performance. This was supported by an F statistic of 9.25 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Table 5: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	14.017	4	3.504	16.014	0.000
Residual	67.181	307	0.219		
Total	81.199	311			

Regression of coefficients results in table 6 shows that Management style and performance of Matatu business were positively and significant related ($r=0.08$, $p=0.012$). Similarly, it indicated that entrepreneurship culture and performance of Matatu business were positively and significant related ($r=0.247$, $p=0.000$).

Table 6: Regression of Coefficients

Variable	B	Std. Error	t	Sig.
(Constant)	1.241	0.377	3.295	0.001
Management style	0.08	0.052	1.559	0.012
Entrepreneurship culture	0.247	0.048	5.164	0.000

Thus, the optimal model for the study is;

$$\text{Performance of Matatu business} = 1.241 + 0.08X_1 + 0.247X_2.$$

Where:

X_1 = Management style

X_2 = Entrepreneurship culture

5.0 Conclusions

Based on the findings the study concluded that management style and entrepreneurship culture had a positive and significant effect on the performance of family owned Matatu Business in Nairobi. From the findings, the study also concluded that management style is a crucial field within the environment of the Matatu business thus presents numerous potential obstacles. Management competence is often determined by the availability of management and financial information. Managerial skills are important in running any business. Managerial skills assist managers to solve issues that are directly relevant to the current, fast shifting business environment.

6.0 Recommendations

Based on the findings and conclusions, the study recommended that Matatu business owners need to adopt proper management styles so as to improve on performance. A management style which is highly recommended is transformational leadership style. The study also recommended that Matatu owners need to have entrepreneurial mind. The owners are expected to be risk takers, innovators and easily adaptable to change.

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