

*Full Length Research Paper*

# Issues affecting Ugandan indigenous entrepreneurship in trade

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The study undertakes to identify the issues affecting Ugandan indigenous entrepreneurs engaged in trade with regard to their deficient entrepreneurial traits in addition to other environmental factors that affect them. Descriptive survey method was employed and samples were drawn from 10 areas, purposive sampling method was used to select the samples from 75 Ugandan indigenous traders and 12 institution based respondents. Descriptive statistics (simple percentages) was employed to analyze the responses. The survey revealed that Ugandan indigenous traders lack requisite entrepreneurial traits like sincerity, innovation, business skills, risk taking propensity and effective management. It was established that factors such as lack of dependable business relationship, lack of capital, low market patronage, competition and inadequate government support also affect Ugandan indigenous entrepreneurs engaged in trade. Based on the findings, a number of recommendations have been made such as the development of requisite entrepreneurial traits by the indigenous entrepreneurs engaged in trade and government support.

**Key words:** Business environment, entrepreneurial process, entrepreneurial traits, entrepreneurship, indigenous entrepreneurship, indigenous people.

## INTRODUCTION

The greatest of human endowments are intelligence and entrepreneurship because besides living things, every other thing in the world is a product of human intelligence and entrepreneurship (Ottih, 2000). The concept of entrepreneurship has been interpreted and defined differently by many scholars from multiple disciplines in the social science. To a psychologist, an entrepreneur is one who takes a goal directed action for the fulfillment of need. That is, the need to obtain or attain something, to experiment, to accomplish, or to escape the authority of others (Hisrich et al., 2008). The goal directed behavior of the entrepreneur creates value. To an economist, an entrepreneur is identified as a factor of production. An entrepreneur combines the other factors and makes their value greater than before and also introduces changes and innovations. To a businessman, an entrepreneur is one who accepts the risk to start and run a business (Nickels et al., 1999) that creates wealth for others as well as finds better ways to utilize resources, reduce waste and produce jobs others are glad to get (Vesper, 1980).

Entrepreneurship is a necessary ingredient in the pro-

cess of economic development. It both serves as the catalyst for market transformation and provides new opportunities for economic growth and increased per capita income. Greater reliance is placed on entrepreneurship all over the world for national development, technological innovations and expanded employment opportunities than was the case earlier (Ottih, 2000). Many countries of the African continent see the development of entrepreneurship as the only way of achieving industrialization and economic development. As a result, many countries in the continent are making serious efforts to ensure the development of indigenous entrepreneurship (Ottih, 2000).

Indigenous people around the world have suffered greatly over the years. They suffer from chronic poverty, lower education and poor health (Peredo et al., 2004). For instance, the Aboriginal and Torres Island people are the most socially, economically and culturally disadvantaged group in Australia (Commonwealth of Australia, 1992). The disadvantaged position of indigenous people around the world is perceived to be a problem that is why there is a growing awareness that policies directed to

establishment and development of indigenous entrepreneurial activity has the potential to substantially improve the economic and social positioning of indigenous people around the world.

In Uganda, aliens are playing a more significant role in the economy. The economic position of indigenous population in the country inhibits the indigenous people from the acquisition of economic opportunity and resources (Tiessen, 1997) for effective entrepreneurial venture despite the fact that indigenous entrepreneurs are owners and custodians of indigenous cultural heritage and resources who should be above to positively influence and determine entrepreneurial activities in their domain (Mapunda, 2007).

The present government of Uganda has made it a top priority to improve the investment environment by attracting foreign investors in order to accelerate economic growth and development. The attraction of foreign direct investment especially in less developed countries (LDCs) without strengthening local or indigenous entrepreneurship and self employment is not always sufficient for the expected benefits to materialize. Therefore, what will be prudent for Uganda is to link foreign investment with indigenous entrepreneurship (Business in Development Network News, 2006). It is preferred to promote indigenous entrepreneurship because domestic entrepreneurs are more aware of the market gaps that need to be filled domestically (Saeed, 1998).

In 2004, Uganda was ranked the second most entrepreneurial country in the world amongst the global entrepreneurship monitor (GEM) countries with a total entrepreneurial activity (TEA) index (31.6%) signifying that approximately 32 out of 100 Ugandan that engaged in some kind of entrepreneurial activity. But many of the indigenous entrepreneurs are engaged in trade (Omagor and Mubiru, 2008), and about 80% of them are in the informal sector (Ocici, 2006). The informal sector lacks legitimacy since it is an illicit activity operating outside the formal sector for the purpose of evading taxes and regulatory burdens. This implies that the indigenous entrepreneurs in the country are relegated to the background since foreign entrepreneurs largely control the formal sector.

GEM Uganda executive report of 2004 stated that 30% of business fails in Uganda as a result of lack of competence of many entrepreneurs. This suggests that most Ugandan indigenous entrepreneurs lack requisite traits for successful entrepreneurship. The necessary traits for successful entrepreneurship include innovation, risk taking, self confidence, hard work, goal setting and accountability (Siropolis, 1997). The entrepreneurship centre of Makerere university business School (MUBS) identified management skills but more importantly entrepreneurship, leadership and financial skills as the major constraints that hinder business growth in Uganda. Lack of vital entrepreneurial traits and skills pose challenges in the creation of a successful climate for indigenous entre-

preneurship.

Other than the requisite traits in the creation of a successful climate for indigenous entrepreneurship, forces from the business environment have strong influence on entrepreneurship. Because of the fundamental nature and the negative impact of these environmental forces, the indigenous entrepreneurs must pay attention to them in order to help their businesses survive and compete favorably. Some of the environmental factors that affect indigenous entrepreneurship include capital shortages, manpower problems, organizational problems, technological problems, competition from expatriate and foreign made product and infrastructural problems (Agbonifoh et al., 1999).

Due to the newness of indigenous entrepreneurship and its growing importance as the core of current and future economic development for indigenous people around the world, this study therefore aims at investigating the major factors that affect Ugandan indigenous entrepreneurs engaged in trade. Specifically, the study undertakes to identify the necessary traits that Ugandan indigenous traders lack and also to examine other environmental factors that affect them. This study is justified because the entrepreneurial process starts with the requisite personal traits. The personal traits in addition with the sociological and environmental factors trigger events that give birth to a new enterprise (Figure 1).

Entrepreneurship is not limited to any sector but the use of trade as the sector scope for this study was induced by the high proportion of Ugandan indigenous entrepreneurs engaged in trade (Omagor and Mubiru, 2008). Furthermore, there is relationship between trade and entrepreneurship with regard to wealth creation. The mercantilist opines that trade increases wealth and entrepreneurship creates incremental wealth (Hisrich et al., 2008). The study findings will assist Ugandan indigenous traders in particular and other indigenous entrepreneurs in other sectors to monitor and scan with comparison analysis their strengths, weaknesses, opportunities and threats in order to be successful. It will also stimulate support for the indigenous entrepreneurs from government and other public and private institutions.

## REVIEW OF RELATED LITERATURE

The development of the theory of entrepreneurship parallels to a great extent the development of the term itself (Hisrich et al., 2008). In the earliest period, the word entrepreneurship stems from French, which literally means "between-taker" or "go-between" (Ottih, 2000). In the middle ages, the term entrepreneur was used to describe both an actor and a person who managed large production projects. In such large production projects, the entrepreneur did not take any risks but merely managed the project using resources provided by the government. Risk was connected to the concept of entrepreneurship in

the 17<sup>th</sup> century when the entrepreneur entered into contractual arrangement with the government to perform a service or to supply stipulated product for a price that might result to profits or losses. In the 18<sup>th</sup> century, the entrepreneur was differentiated from the capital provider and in the 19<sup>th</sup> and early 20<sup>th</sup> centuries, the entrepreneur was identified with individual who united ownership of capital with the capacity for organizing the other factors of production. In the middle of the 20<sup>th</sup> century, the notion of an entrepreneur as innovator was established. In recent times, the concept of entrepreneurship has been refined and broadened to include criteria such as risk taking, innovation and creation of wealth with the consideration of principles and terms from business, managerial and personal perspective (Hisrich et al., 2008).

The concept of entrepreneurship has generated several definitions and we do not have one indisputable definition (Ronstadt, 1984). The many definitions have several indices such as economic function, ownership structure, degrees of entrepreneurship, size and life-cycle of the firm and resource base (Morrison, 1998). Despite the limited consensus about the defining characteristics of entrepreneurship, there is agreement that entrepreneurship has elements such as initiative taking, the organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account, and the acceptance of risk or failure (Shaper, 1975). Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals (entrepreneurs) who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but the entrepreneur must somehow infuse value by securing and allocating the necessary skills and resources (Ronstadt, 1984).

The role of entrepreneurship in economic development involves not only increasing per capital income but also initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output (Hisrich et al., 2008). Entrepreneurship is the capacity for innovation, investment, employment opportunities and expansion in new markets, products and techniques.

The entrepreneur is engaged in business which is the sum total of all economic activities. The economy is comprised of 4 types of business activities which are extraction, manufacturing, distribution, and service (Certo et al., 1987). Business activity that involves the drawing of raw materials from land, sea or air is said to be extractive (Agbonifoh et al., 1999). Such enterprise is engaged in the first stage of production like mining, quarrying and agriculture (Ubadigha, 2005). When business activity involves the transformation of input or raw materials into tangible products, it is said to be manufacturing (Dilworth, 1992). Distribution channel is a set of interdependent enterprises involved in the process of making a product or service available for use or con-

sumption by the consumer or business user (Kotler and Armstrong, 2001).

The service enterprises engage in activities that offer benefits to a consumer that is essentially intangible and does not result in the ownership of anything (Kotler and Armstrong, 2001). The service industry creates economic and social values for the private and public segments. The industry also creates meaningful employment. The service industry is categorized into trade, finance, transportation, public utilities and services (Certo et al., 1987). Trade being the sector scope of this study is a fragment of the service industry that is concerned with commercial exchange (buying and selling on domestic and international markets) of goods and services. Domestic trade is trade within a country while international trade is trade between one country and the rest of the world. International trade becomes inevitable because of the inability of the domestic economy to adequately provide for the numerous needs of its populace. The major factors that distinguish domestic trade from international trade include boundary, currency, transport cost, language, mobility of factors of production, ease of transaction (Nwikina, 1999).

Entrepreneurship is comprised of the enterprise and the entrepreneur. While the enterprise is the object (Mohanty, 2006), the entrepreneur is the individual who incubates new ideas and starts the enterprises based on those ideas, and provides added value for the society based on his independent vision for growth, commitment to constructive change, persistent to gather necessary resources, and energy to achieve unusual results (Holt, 2002). However, in most cases, the term entrepreneurship is often used synonymously with the term entrepreneur (Kumar et al., 2003).

One of the characteristics of a market oriented economy is the presence of entrepreneurial process. The process involves all functions, activities and actions associated with perceiving opportunities and creating organizations to pursue them (Bygrave, 2004). The process has 4 phases namely identification and evaluation of opportunity, development of business plan, determination of the required resources and management of the resulting enterprise. Though these phases proceed progressively, no one stage is dealt with in isolation or is totally completed before work on the other phases occurs (Hisrich et al., 2008). The entrepreneurial process is influenced by the personality of the entrepreneur and environmental forces which trigger events that stimulate growth and give birth to a new enterprise.

There are 2 major areas of interests in the study of the personality of the entrepreneur. These include concerns about the entrepreneur's perceived social position and issues relating to the entrepreneur's psychological based traits (Ottih, 2000). Considerable research has been dedicated to the task of identifying the traits and characteristics of successful entrepreneurs. The personal traits that make for a successful entrepreneurship include

achievement, motivation, innovativeness, independence, risk taking, leadership, and optimism (Ottih, 2000). Other characteristics include entrepreneurial spirit (that is the ability to find and evaluate business opportunities, gather the necessary resources and implement action plans to take advantage of the opportunities), decision making, time management and negotiating (Udeh, 1999). Entrepreneurs who are high on the personality trait of openness to experience are predisposed to be original, to be open to a wide range of stimuli, to be daring and to take risks. Entrepreneurs who have internal locus of control believe that they are responsible for what happens to them and that their own actions determine important outcomes such as the success and failure of a new business. Entrepreneurs who have high level of self esteem feel competent and capable of handling stress and uncertainty, and those who have a high need for achievement have strong desire to perform challenging tasks and meet high personality standards of excellence (Jones et al., 2000).

Relating to the environmental factors are all processes through which the entrepreneur represents the enterprise to the various facets of the environment in which it exists. The environment consists of a set of conditions and forces which surround and have direct influences on the enterprise. The environmental forces have 2 primary challenges. First is environmental complexity. This is the number of elements that have relevant influence on the entrepreneurial venture. The more complex the environment is, the more difficult it is for the entrepreneur to perform. The second is environmental turbulence. This involves the dynamics and the rate of change in the environmental factors that makes the environment highly unpredictable (Chandan, 1997).

The scope of the environmental factors is categorized into 3 sub areas namely internal environment, task environment and the general environment. The internal environment of the enterprise is explained from 2 main angles. First is the identification of the major resources of the enterprise and secondly, the analysis of the perception the enterprise members have or share about the organization's nature, character and overall management style (Onuoha and Amussah, 2006). The task environment of the enterprise consists of other specific organizations that are likely to influence the enterprise. The basic forces in the task environment include competitors, customers, suppliers, regulators, and unions. The general environment consists of macro forces affecting the enterprise. They include forces like the economic, technological, cultural, social, political and legal environments in addition to the global business environment. The environmental forces have a tremendous effect on the success or failure of the enterprise. It is therefore important for the entrepreneur to analyze, scan and monitor these forces continuously in order to interact with them effectively.

Environmental analysis is geared towards identifying

environmental developments and events that have or may have effects on an enterprise's performance. Environmental analysis enables the entrepreneur to determine implications of the internal environmental changes in relation to the strengths and weaknesses of the enterprise and also that of the external forces in relation to the enterprise's opportunities and threats with a view to making strategic decisions (Ihunda, 2001). Environmental scanning is the process of looking for signals that may precede significant changes before the changes assume serious weaknesses and threats. Environmental scanning is an early warning activity of the entrepreneur that involves mounting continuous surveillance over the environment with a view to picking the early or weak signals. The major advantage of focusing on weak signals is that it gives the entrepreneur ample time to develop appropriate response (Ihunda, 2001). Environmental monitoring is the process of keeping track of identified environmental trends or changes. Environmental monitoring is concerned more with the immediate and the known than with the future and weak signals as the case with environmental scanning. Environmental monitoring enables the entrepreneur to gauge the appropriateness of the trends and to be in a position to modify them in the case of deviation.

Entrepreneurship is not the same as management. While Management encompasses all the decisions involved in planning, organizing, leading and controlling resources, entrepreneurship involves noticing an opportunity to satisfy a customer need and then mobilizing resources to make a product that satisfies that need (Jones et al., 2000). In a complex organization, an entrepreneur must hire managers who can create an operating system that will let a new venture survive and prosper. Managers who are involved in such entrepreneurial activity of innovation and product development process are known as intrapreneurs. Many intrapreneurs become frustrated when their superiors decide not to support their entrepreneurial efforts that they think will succeed. Many of the world's most successful organizations have been started by frustrated intrapreneurs who became entrepreneurs (Jones et al., 2000).

Many people use the terms entrepreneurship and small businesses synonymously. Entrepreneurship is not only small business although most entrepreneurship starts off in small scale (Ottih, 2000). Entrepreneurship includes business activities both in new as well as old fields and at all risk levels, whether small or big enterprises. The entrepreneurs are engaged in marginal firms, professional ventures and high technology firms. They are also mass producers, diversifiers and speculators. Irrespective of the size and nature of business, the entrepreneur identifies opportunities, assembles resources, manages the business entrepreneurially and makes profit (Udeh, 1999). Nevertheless, an entrepreneur who owns business that remains small and offers a balanced lifestyle is known as micropreneur (Nickels et al., 1999).

There is little published literature available on indigenous entrepreneurship in Africa. Until recently, the academic literature has produced relatively few insights into indigenous segments of the global entrepreneurial community (Foley, 1999). The concept of indigenous entrepreneurship is a relatively new discipline that is fast developing. Indigenous people are people who are descent from the populations which inhabited a country, or a geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present State boundaries (International Labour Organization, 1991). Ugandan indigenous entrepreneurs are local entrepreneurs who are the descendants of those who inhabited the country at the time when people of different cultures or ethnic origins arrived through colonization, occupation, settlement or other means. This means that they are black people of African origin.

Colonization and postcolonial practices brought intense setback in the establishment and growth of indigenous entrepreneurship in most parts of Africa because it destroyed the indigenous people's self confidence and also denied them the right to manage their own economic and social affairs (Frederick, 2006). In Uganda, a great influx of Asians (primarily from Indian subcontinent) came into the country during the construction of the Uganda railway. During the construction of the railway, some Indians began to come in as merchants and to establish *dukas* (shops), which initially catered to fellow Indians (Asians of Africa forum, World Culture Encyclopedia). With the completion of the railroad in 1901, the British colonists considered the Asians more effective and efficient than the indigenous people and therefore concentrated ownership and management of commercial activities in their hands (P'Karamura, 2008). This brought suppression of indigenous entrepreneurs in the country because the indigenous people occupied the bottom level of a three-tiered hierarchical system, allowing the Asians to occupy the middle level and the British colonists the top level of the social, political and economic pyramid. As the colonial period came to a close, it was found that the indigenous entrepreneurs got a later start than the Asians and other foreign entrepreneurs who entered Uganda.

Uganda is an ideal investment environment for foreign investors because of her political and economic stability in addition to ready market and investment incentives. As a result, foreign investors indicated prospects of expansion of their investment in the country. Foreign direct investment is more stable than other sources of funding of investment (Private Sector Investment Survey, 2007). It is generally believed that developing countries attract foreign direct investment to encourage production improvements, boost employment opportunities, contribute to the advancement in technology, encourage business sector competition and create exports. In contrast, (Kiiza, 2007) enumerated findings from other studies that have shown contradictory results. Some authors posited that there is no significant relationship between foreign direct investment and economic growth, and that foreign direct

investment has negative rather than positive spillovers in transition economies.

The development of indigenous entrepreneurship acts as a role model for other prospective indigenous entrepreneurs. It also maintains and bolsters income generating products and becomes economic spring board for the revival of indigenous communities and development of enterprises in rural areas. Indigenous entrepreneurship is today viewed as a powerful tool that could be used to promote economic independence and self determination within indigenous societies. Because of its importance, nations, organizations, institutions, communities and people around the world are under pressure to develop long term sustainable plans for capacity development strategies for indigenous entrepreneurs. For instance, in a dialogue for the future indigenous entrepreneurship held at the United Nations Headquarters on 23 May 2007, six main factors - political, economic, socio-cultural, technological, legal and environmental were discussed as issues affecting indigenous entrepreneurship. The event also focused attention on potentials for longer term plans for capacity development programs for indigenous entrepreneurs and the opportunities and challenges indigenous entrepreneurs face in partnering with donors, lending institutions, business development agencies and private corporations.

## METHODOLOGY

This study employed the descriptive survey method. The method includes surveys and fact finding enquiries of different kinds and it describes the state of affairs as it exists at present (Kothari, 2004). It is quite often used in social science and business research because the researcher observes and describes the state of affairs without any attempt to manipulate or control the variables (Asika, 1991).

Cluster sampling method was employed to select samples from 10 areas in Kampala and its suburbs. Each area was apportioned 10 questionnaires and the areas are Banda, Bweyogerere, Kampala, Kamwempe, Kamwokya, Karerwe, Katwe, Kireka, Nakawa, and Wendegeya. Kampala was chosen because it is the capital city and the other areas selected are highly clustered with indigenous traders, being a true representation of the scope of the study. All the respondents have enterprises that are independently owned with less than 25 employees, indicating that they own small scale enterprises (Certo et al., 1987). Small scale enterprises and entrepreneurship have significant relationship (Siropolis, 1997) and they dominate the formal sector in Uganda. Out of the 100 questionnaires distributed to the indigenous entrepreneurs engaged in trade in the 10 areas, 75 (75%) were accepted and used for analysis after data processing operations. The entrepreneurs are domestic traders. A summary of the sample structure by areas is shown in Table 1.

Table 1 shows that at least 60% of the 10 questionnaires distributed to each area were accepted and used for the study. The 10 questionnaires distributed to Kampala (capital city) were all accepted and used. The other percentage response rates according to the areas were 70% for Banda, Bweyogerere, Karerwe, Katwe and Kireka respectively and 80% for Kamwempe, Nakawa and Wendegeya respectively. Only Kamwokya area had a percentage response rate of 60%. The percentage responses in the 10 areas were considered adequate for the study.

**Table 1.** Sample structure by areas (n = 75).

Areas	Banda	Bweyogerere	Kampala	Kamwempe	Kamwokya
% Responses by areas	7 (70%)	7 (70%)	10 (100%)	8 (80%)	6 (60%)
% Responses by sample size	9.33%	9.33%	13.33%	10.67%	8.00%
Areas	Karerwe	Katwe	Kireka	Nakawa	Wendegeya
% Responses by areas	7 (70%)	7 (70%)	7 (70%)	8 (80%)	8 (80%)
% Responses by sample size	9.33%	9.33%	9.33%	10.67%	10.67%

**Table 2.** Sample structure by institution based respondents (n = 12).

Institutions	Designation of respondents	% Number of respondents
Islamic University in Uganda (4)	Lecturers	9 (75.00%)
Makerere University Business School (4) Nkumba University (1)		
Department of internal trade, Ministry of Tourism, Trade and Industry	Senior Commercial Officer	1 (08.33%)
Uganda Investment Authority	Project Officer	1 (08.33%)
Uganda National Chamber of Commerce and Industry	Business Consultant	1 (08.33%)

Purposive sampling technique was also used to deliberately draw samples from 12 institution based respondents. The respondents were drawn from the universities and other institutions related to the issue of the study like the department of trade (ministry of tourism, trade and industry), Uganda investment authority and Uganda national chamber of commerce and industry. The respondents from the universities are entrepreneurship lecturers and they constitute the highest number of response rates because of easy accessibility. The sample structure according to the institution and designation of the institution based respondents is shown in Table 2.

The questionnaire was the major instrument that was used for this survey. The questions for the indigenous entrepreneurs were designed to elicit specific responses with regard to their deficient entrepreneurial traits and other environmental factors that affect their enterprises. While the questions designed for the institution based respondents were more generic. The reason for using different categories of respondents was to get broad information for the study. Both open and closed questions were adopted for this study. The open questions were primarily employed in the questionnaire designed for the indigenous traders to enable them give a more adequate presentation of their respective cases (Osuala, 2001) without restriction as to the extent of their responses. However, open questions are difficult to analyze because of its diverse response nature (Asika, 1991), but because the study utilizes descriptive statistics (Kothari, 2004), the responses of the fundamental features from the data would be adequately analyzed and discussed. 4 research assistants who are business studies undergraduates were recruited and trained to administer and interpret (where applicable) the questions to the respondents. While the closed questions were primarily used in the questionnaire designed for the institution based respondents. The closed questions are Yes or No type but in order not to restrict the opinions of the respondents, an additional column was provided in the questionnaire for them to explain the reasons for the choice of response to each question.

Apart from the questionnaire method, data from interviews and the examination of literature related to the study was used to develop the issues and to identify the basic traits and other environmental factors affecting Ugandan indigenous entrepreneurs who are engaged in trade. The questionnaire responses were edited and classified according to response structure (areas and institution

based). They were further tabulated and simple percentages were employed for the analyses.

## FINDINGS AND DISCUSSION

### Success of Ugandan indigenous entrepreneurs

To analyze the success of Ugandan indigenous entrepreneurs, responses from both the indigenous traders and that of the institution based respondents were utilized. The respondents were asked to rank the extent of success of Ugandan indigenous entrepreneurs. A 5 point Likert-type scale was employed. The scale ranged from 1 - 5 representing 1-‘very low extent’, 2-‘low extent’, 3-‘uncertain’, 4-‘high extent’, 5-‘very high extent’. The essence of a 5-point scale was to encourage respondents to use full width of opinion and avoid errors of central tendency. To avoid ambiguity in the analysis, the 2 extreme categories of 1-‘very low extent’ and 5-‘very high extent’ were collapsed into 2 and 4 respectively. Thus, the scores are 2 = low extent; 3 = uncertain and 4 = high extent. Based on the questionnaire data from the indigenous traders and that of the institution based respondents, the extent of success of Ugandan indigenous entrepreneurship is summarized in Table 3.

Table 3 clearly reveals two contrasting responses with regard to the extent of success of Ugandan indigenous entrepreneurs. The indigenous traders indicated high success rate (61.3%) while the institution based respondents indicated low rate of success (75%). The questionnaire responses from the indigenous traders suggested that Ugandan indigenous entrepreneurs engaged in trade are successful. Though, personal interview responses from a significant number of the indigenous traders revealed high rate of business failure

**Table 3.** Success of Ugandan indigenous entrepreneurship.

<b>Rating</b>	<b>Indigenous entrepreneurs (% Number of responses)</b>	<b>Institution based respondents (% Number of responses)</b>
2 = low extent	9 (12.00%)	9 (75%)
3 = uncertain	20 (26.67%)	1 (8.3%)
4 = high extent	46 (61.33%)	2 (16.7%)
Total	75 (100)	12 (100)

Source: Survey data 2008

indicating low business success rate which corroborates the responses from the institution based respondents. However, it is difficult to measure the rate of entrepreneurial success empirically because developing the tools to measure it has been problematic (Burnett, 2000).

### **Lack of entrepreneurial traits**

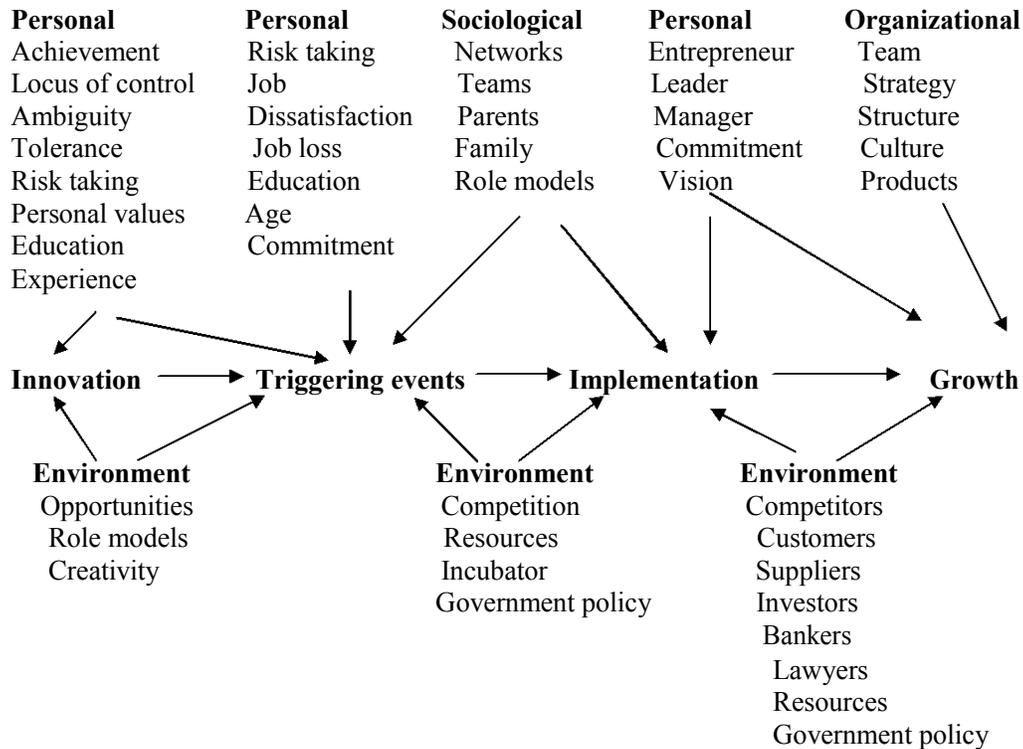
To identify the deficient traits of Ugandan indigenous entrepreneurs, the indigenous traders were requested to indicate the requisite traits they lack. Out of the 75 respondents, 53(71%) identified sincerity and 36(48%) acknowledged business skills and experience. For the institution based respondents, they were asked to choose (in a Yes or No question type) from a list of deficient traits the ones that affect Ugandan indigenous entrepreneurs. A summary of their responses is shown in Table 4.

The survey revealed that Ugandan indigenous entrepreneurs are insincere. Out of the 75 indigenous traders, 53(71%) responded that they lack sincerity. Also, many of the institution based respondents identified insincerity and lack of trust as a major factor that affects Ugandan indigenous entrepreneurs despite the fact that it was not part of the deficient traits listed. Sincerity stimulates trust in business relationship and trust is important because it puts up assurance in commercial transactions. Distrust in business relations hurts revenue since lack of customer confidence results to low market patronage. This could be one of the reasons why a significant number of the respondents (indigenous traders) cited low market patronage as a prevalent environmental factor affecting them. Because of the high level of distrust, the study observed that Ugandan indigenous traders face problems in securing loans from financial institutions. Consequently, the Kampala city traders association (KACITA) established Kampala savings and cooperative society in order to ease access to loans. To buttress trust in business relations, the association considers the traders business relations among other people as a security to access loans instead of fixed assets (Bukonya, 2006). It was also revealed that suppliers hardly grant trade credit to indigenous traders due to lack of trust. Trade credit can be viewed as an essential element of capitalization in an operating business if it is managed properly (Wikipedia, the free encyclopedia).

Trust in business relations enhances network and team spirit. Network and team spirit are important entrepreneurial elements (Figure 1) because they build confidence amongst team members, encourage social relations and bind together the collective tasks of team members. It was observed that lack of trust affects network and team spirit amongst Ugandan indigenous traders. For instance, the publicity secretary of KACITA (the active local business association that represents majority of small businesses in the country) accused indigenous traders of conniving with Chinese to sell cheap and inferior items and branded those traders as “unscrupulous” traders. This explains the high level of distrust. Accordingly, distrust invokes low level of team spirit and network and encourages divided interest amongst the members of KACITA. For the members to be more effective they must overcome the problem of trust and confidence since it has been identified as one of the real problems they are experiencing (Rogers, et al., 1996).

The study identified lack of innovation as one of the factors affecting Ugandan indigenous traders (Table 4). Innovation is doing a common thing in an uncommon way (Nwachukwu, 1990) and entrepreneurial initiative is necessary to identify and pull all the necessary innovation elements together (Snell, 1999). Many people accepted the idea that entrepreneurs are innovators but it can be difficult to apply this theory of entrepreneurship to less developed countries (LDCs) like the case of Uganda. This is because the innovation process in LDCs is often that of imitating and adapting instead of the traditional notion of new product or process discovery and development (Burnett, 2000).

However, innovation needs not involve a fundamental change in technology or production process (Agbonifoh et al., 1999) especially in the trade sector. It is also achieved when new markets are identified, new sources of supply are discovered, and new forms of organizations are developed (Omagor and Mubiru, 2008). The survey identified that indigenous traders in the country are not innovative because they are more interested in profit orientation rather than customer satisfaction. Innovators in this regard initiate customer oriented ideas at some level of risk (Kotler and Armstrong, 2001) because innovation satisfies the audience for which it is developed. This could be one of the reasons why Ugandan indigenous traders connive with Chinese to supply and sell sub-



**Figure 1.** A model of the entrepreneurial process.

Source: Based on Carol Moore's model, presented in "Understanding Entrepreneurial Behaviour," in J.A. Pearce II and R.B. Robinson, Jr., eds., *Academy of Management Best Papers Proceedings, Forty-sixth Annual Meeting of the Academy of Management, Chicago, 1986.*

**Table 4.** Lack of requisite entrepreneurial traits.

Deficient traits	Yes response (%)	No response (%)
Innovation	12 (100.00%)	0 (0.00%)
Planning and control system	11 (91.67%)	1 (8.33%)
Business skills	8 (66.67%)	4 (33.33%)
Risk taking propensity	6 (50.00%)	6 (50.00%)
Feasible and viable business ideas	4 (33.33%)	8 (66.67%)
Education	4 (33.33%)	8 (66.67%)

Source: survey data 2008.

and sell substandard goods and merchandise at cheap prices (Obwona et al., 2007).

Risk taking is an inevitable personal trait of the entrepreneur (Figure 1). Risk is uncertainty regarding possible losses (Certo et al., 1987). Every new venture will be faced with some potential hazards, given the particular industry and competitive environment. While 50% of the institution based respondents indicated that Ugandan indigenous entrepreneurs have low risk taking

propensity, a significant number of the indigenous traders interviewed indicated that they take risk but with little or no positive reward from it. The study observed that Ugandan indigenous entrepreneurs engaged in trade have low level of risk taking propensity because of the desire for high profit without emphasis on innovation and customer orientation. Though, an entrepreneur will be willing to bear the risk of a new venture if he believes that there is a significant chance for profit (Swoboda, 1983).

Nevertheless, risk is a core element of entrepreneurship (Shapiro, 1975) because an entrepreneur must take chance on a business venture that may not necessarily prove profitable. It is believed that entrepreneurs who are innovative, customer oriented and are high on risk taking propensity make the most profit (Nickels et al., 1999).

With regard to lack of planning and control system as factors affecting Ugandan indigenous entrepreneurs, 11 (92%) of the institution based respondents indicated that the indigenous entrepreneurs are poor planners and also lack control system (Table 4). In contrast, many of the indigenous traders responded that they are good planners and they monitor and control their activities effectively. It was however observed that the indigenous traders are short term planners and not strategic planners. This could be one of the reasons why they are skewed towards short term profit orientation rather than customer satisfaction. Customer satisfaction requires strategic planning that involves clear definition of vision and mission in order to develop products that will satisfy customer's needs. This is done through marketing research (Kotler and Armstrong, 2001). This also means that Ugandan indigenous entrepreneurs engaged in trade do not carry out marketing research which substantiates the notion that they are not innovative since innovation that is aimed at customer's satisfaction is primarily derived from marketing research.

Planning and control are management functions. While business plan constitutes the second phase of the entrepreneurial process (Bygrave, 2004), control checks the progress of business activities and plans and makes the necessary and constructive adjustments so as to accommodate any environmental changes. Because control checks plans and the study established that a significant number of Ugandan indigenous traders do not employ strategic planning, it implies that they are also deficient in effective control system. The mechanism for effective control system includes organizational goals, operating budget and financial measure of performance (Jones et al., 2000). The study observed that many Ugandan indigenous traders do not utilize operating budget and they lack financial control system. Many of them admitted in a personal interview that effective financial control system is difficult because of family demand. An indigenous trader responded that he can not invest his money in business when his family is hungry. This reveals that Ugandan indigenous traders do not separate their business capital from personal expenses. It also confirms that sociological factor like family influence (Figure 1) impedes the financial control system of the indigenous traders in Uganda.

In relation to lack of business skills as a factor affecting indigenous entrepreneurs in Uganda, 8 (67%) of the institution based respondents agreed that indigenous entrepreneurs in the country lack business skills and 36 (48%) of the indigenous traders also acknowledged lack of business skills as a major problem affecting them.

Skills are specific abilities that result from knowledge, information, practice and aptitude. Performing entrepreneurial functions require variety of business skills such as technical skill, human skill, and conceptual skills (Briggs, 2002). Skills associated with entrepreneurship are rare and limited in supply and the abilities of the entrepreneur are so great and so numerous that very few people can exhibit them all in a very high degree (Burnett, 2000). It was however observed that many of the indigenous traders in the country lack the ability to perform the specialized function of marketing (marketing research, pricing, market and sales techniques) necessary for their business. This implies that they lack technical skills (Jones et al., 2000). The spillovers of colonization, willingness and low educational level have been identified as factors that contribute to lack of business skills.

The survey identified that many of the indigenous entrepreneurs engaged in trade are not well educated and this could have affected their proficiency since education is a requisite entrepreneurial trait (Figure 1). There is strong relationship between education and successful participation in business but it was revealed that many entrepreneurs in Uganda never finished ordinary level certificate (Omagor & Mubiru, 2008), which hinders their business operations and performance. The reason why the not well educated locals dominate the business sector was because they gained economic advantage either as military personnel or smugglers during the political and economic impasse in the country. With the current stability, many of them resorted to private business. The educated ones prefer to work in the public sector or in other secured employment like the education sector and NGOs than starting and operating their business. This indicates that the educated ones are afraid of taking risk and are also ashamed of failure (Omagor and Mubiru, 2008).

### **Other environmental factors**

To examine other environmental problems affecting Ugandan indigenous entrepreneurship involved in trade, the study used the responses from both the indigenous traders and the institution based respondents. The major environmental factors that affect Ugandan indigenous traders as identified in the study include lack of capital, high costs of operation, low market patronage, competition and inadequate government incentives.

Lack of capital was identified as a significant factor that affects Ugandan indigenous traders. The 75(100%) indigenous traders and 10 (83%) of the institution based respondents indicated lack of capital as a major factor that affects Ugandan indigenous entrepreneurs. Capital as an economic resource refers to funds used to start, modernize and expand, as well as to purchase the machinery, equipment, and other resources needed to create wealth (Certo et al, 1987). The opportunities for

many entrepreneurs all over the world are often limited by the economic environment which surrounds them. The success of indigenous enterprise does not depend on the entrepreneur's business ability and skills alone but also depends on access to economic and other resources (Figure 1). The study established that one of the reasons why many indigenous people in the country could not start their own business despite the desire to start one is as a result of lack of capital. Indigenous traders also have problems with innovation and expansion as a result of lack of capital.

Many Ugandan indigenous traders suffer from shortages of working capital. Working capital can be obtained from financial institutions through short term funds or credit from suppliers (Agbonifoh et al., 1999). But because of insincerity and lack of business trust, it is difficult for the indigenous entrepreneurs to secure loans from financial institutions and to access trade credit from suppliers. Even when loans are available, the interest is considered too high to cope with. Poor financial management was also identified as one of the reasons for shortages of working capital.

The survey also revealed that Ugandan indigenous traders incur high costs of operation in the midst of capital shortages. All the respondents indicated high costs of operation as a daunting problem faced by the indigenous traders. The prevalent areas where they incur high costs as indicated by the indigenous traders include taxes, licences and permits, electricity, interests, rent, materials, transport and labour. This study established that the current world economic crisis falls disproportionately on Ugandan indigenous traders with regard to this issue because of their disadvantaged economic and social position in addition to the requisite entrepreneurial traits they lack.

Market is an environmental factor that affects entrepreneurial activity (Figure 1) and a market consists of people with unsatisfied wants and needs who have both the resources and willingness to buy (Nickels et al., 1999). All the indigenous traders indicated that they are lowly patronized which was also accepted by 7 (58%) of the institution based respondents. The study relates this problem to lack of confidence by the customers. A female Ugandan customer called indigenous traders "cheats" when asked why she prefers to patronize Asians instead of locals. This explains the level of distrust. Another reason for low market patronage as identified in the study is lack of innovation. Low market patronage results to poor income and business failure.

The entrepreneurial process functions in a competitive environment (Figure 1). The competitive environment comprises the specific organizations with which the organization interacts. The competitive environment includes rivalry among current competitors, threats from new entrants, threats of substitutes, power of suppliers, and power of customers. With regard to the impact of competition, 67 (96%) of the indigenous traders responded that

competition negatively affects their enterprises. The respondents further stated that the worst experienced competition is the one from foreigners who are also engaged in similar trade. According to Lucy Hooker of BBC World Service, a glance in many small shops in the country reveals a sea of black faces at the service desk and one Asian in the shadows at the back. This explains how foreign investors have flooded small scale businesses in Uganda. This situation does not favour the indigenous entrepreneurs considering the economic, technological and social advantages foreign investors have over the locals in the country.

Competition is good for the economy because economic efficiency is enhanced through competition. Competition benefits both business and the consumer because it results to lower prices, better service, more choice, new and improved products and better efficiency (Certo et al., 1987). However, competition is at equilibrium when the mechanisms in the environment and the competitors within the sector operate under parallel circumstances. But in the case of Uganda, the competitive equilibrium reaction pattern is not balanced because of the poor economic and social position of the indigenous entrepreneurs. Government preference for foreign investment and the deficient traits of the indigenous entrepreneurs also contributed to the competitive disequilibrium reaction pattern. The executive director of the African centre for trade and development, Elly Twineyomugisha stated that the existing laws of Uganda do not reflect the current investment environment for indigenous small businessmen because it has led many bogus foreign investors to come to the country with low capital to start small business that Ugandans are engaged in. In addition, it was revealed that indigenous entrepreneurs engaged in trade face stiff competition among themselves.

Inadequate government support was identified as a factor that affects indigenous entrepreneurs in Uganda. It was revealed that government gives more preference to foreign investors than the locals. Some of the incentives given to foreign investors as identified in the study include free land, tax holidays and other subsidies. For instance, on 12 April 2007 there was violence targeting Asians that led to the death of one young Indian man because of free land allocated to foreign investor by the president. A hardware manager told BBC world service reporter that the president likes the Indians and Chinese more than the blacks. She further stated that foreigners sell their products at cheaper prices because of the tax incentives given to them. Twineyomugisha who is also a trade and economics consultant posited that many of the foreign investors do not pay tax. This situation means that the indigenous entrepreneurs relatively incur more costs since a significant number of them indicated high tax as the major costs incurred by them. This also explains the reason why many of the indigenous traders in the country operate in the informal sector. In addition, it

was revealed that foreign investors are given more political attention than the local entrepreneurs. Sanjiv Patel of the Indian Association of Uganda stated that accessibility to authorities in Uganda is smooth and simple but in contrast, a member of KACITA revealed that it is very difficult to access authorities.

Government policy influences entrepreneurial activity (Figure 1) and it is perceived by many Ugandan indigenous traders that the policy does not favour them. Few respondents during interviews who opined that there is government support claimed that undue political interference, corruption and lack of adequate information are affecting its optimal implementation and utilization. On the issue of political interference, Twineyomugisha revealed that Uganda Investment Authority (UIA) is the agency that regulates all foreign investments coming into the country but it faces influences and directives from other government departments like the office of the president to authenticate investors even when such investors do not show the necessary requirements. This is one of the reasons why foreign investors dominate small scale businesses in the country. However, Dr. Maggie Kigozi, the head of UIA said that the authority does not licence foreign investors who are engaged in trade when she made her clarification known to members of KACITA in response to their grievance about licensing foreigners to operate businesses that could be done by locals (The New Vision 2008). This further supports Twineyomugisha's statement that the existing laws of Uganda is not clear and do not reflect the current investment environment for indigenous small businessmen.

Nevertheless, the study identified government incentives such as the support through the savings and credit cooperation society (SACCO) and the bona bagawale (prosperity for all) programmes. It was however revealed that the programmes have more political orientation than economic course. For instance, Latif Ssebagala a member of parliament from Kamwempe North stated that the bona bagawale would not yield suitable fruits unless a clear and well planned mechanism is set to handle the fund. Apart from the political aspect of the savings and credit cooperation programme, lack of trust in business relationship affects its effective implementation. For instance, during the launch of the programme at Kiteezi trading centre in 2008, Rosemary Senninde the woman Member of Parliament from Wakiso district admitted that people have negative perception about SACCOs because of lack of trust. In addition, Government has supported institutions like Enterprise Uganda to create jobs through the graduate empowerment programme (GEP). This is aimed at supplementing the on-going efforts by the government to address rising unemployment and reduce vulnerability of youths in the country to criminal activities. Apart from government support, other institutions like that of Makerere University Business School established an entrepreneurship centre to develop effective entrepre-

neurial venture and management capacity in the country. But the study identified lack of quest for information by the indigenous traders and costs implications as reasons for its insignificant utilization.

## **Conclusion and Recommendations**

Development of indigenous entrepreneurial activity has the potential to substantially improve the economic and social positioning of indigenous people around the world. The success of indigenous enterprise depends on the entrepreneurial traits (Ottih, 2000) and environmental conditions (Ihunda, 2001). The survey established that Ugandan indigenous traders lack personal traits like sincerity, innovation, planning and control mechanism, business skills and risk taking propensity that are necessary for the creation of a successful climate for entrepreneurship. Environmental conditions like lack of capital, low market patronage, competition and inadequate government support also present challenges and problems to the indigenous traders.

Based on the findings, it was recommended that Ugandan indigenous entrepreneurs engaged in trade should be sincere in their business transactions in order to build trust and confidence. This would enhance dependable business relationship, network and team spirit. Entrepreneurship as a subject should be introduced at the ordinary level certificate. This would stimulate indigenous entrepreneurship and enhance the business skills of potential indigenous entrepreneurs. Government and public agencies in the country should initiate and implement pragmatic policies and programmes to support indigenous entrepreneurs instead of making it a political issue. They should develop approaches and incentives that would offer opportunities to encourage indigenous entrepreneurship. Other institutions and corporate bodies like donors, lending institutions, educational institutions and business development agencies in the country should focus attention and support long term plans for capacity development programmes for indigenous entrepreneurs. Ugandan indigenous entrepreneurs engaged in trade should work harder by being venturesome, good strategic planners, information seekers and ideal risk takers in order to survive and compete favourably. If these are done, wealth will be created that would contribute to the development of indigenous people economically and socially in the country.

The immediate priority, therefore, is the need to re-examine policies relating to indigenous entrepreneurial development in the country with the aim of encouraging local entrepreneurs.

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