Institutional framing for entrepreneurship in sub-Saharan Africa: a case of Uganda

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Abstract

Purpose – The purpose of this study is to examine institutional framing for entrepreneurship in a sub-Saharan context and provide policy input required in solving the daunting problem of the existing low levels and high failure rate of business start-ups in Uganda.

Design/methodology/approach – Data were collected from a sample of 659 SMEs from two districts of Uganda in Jinja and Mukono which were scientifically selected for this study. Appropriate analytical data techniques were applied.

Findings – Results reveal the presence of implicit regulative, explicit regulative, constitutive cognitive and normative institutions which affect entrepreneurial activities in Uganda. These findings and their policy implications are fully discussed in the paper.

Originality/value – This research parallels the Global Entrepreneurship Monitor (GEM) 2004 study that reports high total entrepreneurship activity (TEA) from Uganda and presents the importance of understanding the institutional framing for entrepreneurship. There is a paucity of research addressing institutional framing for entrepreneurship from a sub-Saharan context, creating a need to study and systematically document the prevailing supporting institutions as a framework for promoting entrepreneurship in Uganda.

Keywords Entrepreneurship, Institutions, Frame, Cognitive, Normative, Uganda, Entrepreneurialism, Organizations

Paper type Research paper

Background to the study

Institutional framing refers to specific ways of conceptualizing institutions by entrepreneurs from different perspectives (Chong and Druckman, 2007). The choice of institutional frame determines its importance, priority and urgency attached to its conceptualization as well as how relationships among institutional templates are understood (Poteete, 2012). Actions within an institutional frame tend to stabilize, while being caught between frames may destabilize entrepreneurs and the associated entrepreneurship actions. This creates tension between institutional frames or "situation transcending phenomena" held by entrepreneurs (Linell, 2009) which are beyond their control. Entrepreneurs simply " […] assess correctly what the situation ought to be and then act accordingly" (Goffman, 1974, pp. 1-2). The materiality of frames is situated in psychological expectations (Goffman, 1974), which if clearly understood result into improved entrepreneurial actions. In this study, we argue that entrepreneurs hold several institutional frames and/or templates that affect entrepreneurship action in Ugandan.

This study parallels previous studies in the mainstream economics which have largely ignored the entrepreneurship construct due to dominant methodological and formal tools of mathematical economics approach (Henrekson, 2007; Baumol, 1968; Barreto, 1989; Machovec, 1995). This in economic models is arguably understandable since entrepreneurship as a factor of production is scarce both quantitatively and qualitatively and unequally distributed among the population. Second, the vitality and actions of entrepreneurs largely depend on incentives associated with economic freedom (Adam Smith) an issue that makes the entrepreneurship factor of production difficult to be neatly packaged within a "mechanistic, deterministic microeconomic model or theory of a firm" (Barreto, 1989, pp. 115, 141).

A study based on institutional framing is important because the reflective frames constructed by SME entrepreneurs in Uganda and their subsequent action are neither known nor understood. Yet, entrepreneurship actions and development are associated. Baumol (1968, p. 66) contends that: "if we seek to explain the success of those economies which have managed to grow significantly with those that have remained relatively stagnant, we find it difficult to do so without taking into consideration differences in the availability of entrepreneurial talent and in the motivational mechanism which drives them." North (1990), assert that development is a result of an incentive structure that encourages individual effort to invest. Investments are determined by "the rules of the game in society" or the institutional setup. This means that entrepreneurial actions and or behaviors largely depend on institutional frames that either promote or constrain behavior. Estrin and Mickiewicz (2010) and Henrekson (2007) aver that entrepreneurship can only be meaningfully analyzed within a well-defined institutional context.

This research parallels previous studies and attempts to contribute to the current debate that inefficient institutional arrangements characterized by costly, complex and inefficient legal proceedings discourage business activity (Fafchamps, 1998; Kiryabwire, 2010; Ntayi et al., 2011). It specifically explores institutional frames for entrepreneurship in the Ugandan context, which has been the most neglected area of economic inquiry, with significant normative implications for the general understanding of how entrepreneurial endeavors function. This is further supported by the view that Uganda scores poorly in terms of failing to have an institutional framework that governs the starting and successfully running SME businesses (Kiryabwire, 2010; Katono et al., 2010; World Bank, 2007). Such an environment makes Uganda a breeding ground for the rapidly growing informal sector which has become the "sponge" that provides job avenues to all categories of labor, including skilled workers and accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation.

Previous studies have tended to examine total entrepreneurship activity (TEA) (Walter et al., 2004; Namatovu et al., 2010), entrepreneurship traits (Kawuki, 2011) and constraints or barriers to start-ups in Uganda. For example, Katono et al. (2010) used data from Uganda to demonstrate that negative societal perceptions (of family, peers and colleagues), attitude, subjective norms and perceived behavioral control exert a direct effect on intention to start business. Additional studies from the developing world context have found absence of enterprise culture (Schoof, 2006;); entrepreneurship education (Schoof, 2006; Nafukho, 1998); inadequate affordable financing (Greene, 2005; Owualah, 1999); inadequate relevant business development services and supports as key factors that discourage entrepreneurial activity. Unfortunately, most of these studies to a large extent ignore the role of institutional framing. Yet there is consensus among

Ugandan economists that investment increase through the application of consistent and prolonged macroeconomic policy (e.g. fiscal policy, exchange rate reforms, trade policy, use of debt relief to boost public expenditure on basic social services) and institutional reform program package. The purpose of this study is to explore the institutional framing for entrepreneurship in Uganda and provide data for policy making.

Literature review and development of hypotheses
Introduction
This section attempts to present a critical review of extant literature and unpack the construct of institutional framing in entrepreneurship. This is based on the premise that entrepreneurs' perceptions of institutions are central to understanding their entrepreneurial actions. The construct of institutions is defined by North (1994) as:

> […] the humanly devised constraints that structure human interaction. They are made up of formal constraints (e.g. rules, laws, constitutions), informal constraints (e.g. norms of behavior, conventions, self-imposed codes of conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies.

According to North (1990), institutions determine economic behavior which eventually impacts on the entrepreneurship activity in a community and/or society. Specifically, Baumol (1990) is credited for having pioneered the role of institutions for entrepreneurial behavior. Baumol's study concludes that channeling entrepreneurship to productive, unproductive and destructive/predatory activities is a result of "social structure of payoffs." This conclusion is based on the assumption that the supply of entrepreneurial effort in society is constant, so that the institutional setup only matters for its allocation across activities. Most studies have largely ignored the country-specific institutional framing for entrepreneurship, yet country institutional profiles for entrepreneurship differ significantly across countries due to differences in institutional framework. This therefore suggests that, despite the renewed interest in trying to understand institutional aspects of entrepreneurship among academics (Acs *et al.*, 2008; Aidis *et al.*, 2008; Bowen and DeClercq, 2008; Hessels *et al.*, 2008; Manolova *et al.*, 2008; Spencer and Gomez, 2004), practitioners, business associations and policy makers, entrepreneurs' perceptions of institutions are still poorly understood.

Institutional framing
This study is based on the three-dimensional institutional theory constructs of regulatory, cognitive and normative described by Scott (1995) to examine institutional frames for Ugandan entrepreneurs. Institutions offer support by protecting investors (Djankov *et al.*, 2003) or create uncertainty due to the risk taking nature of entrepreneurs (Kostova, 1999). Many Ugandan entrepreneurs are engaged in productive and rewarding market activity. As argued by the World Bank (2001) "income from participating in the market is the key to boosting economic growth for nations and to reducing poverty for individuals." This could therefore result into building a resilient economy ready to take off. According to Rostow (1959) a resilient economy is characterized by an enlargement in the corps of entrepreneurs and technicians, institutionalizing the sources of capital so as to permit "the economy to suffer structural shocks; to re-dispose its investment resources and to resume growth." In fact Leff (1979, p. 48) states, "Indeed a key function of entrepreneurship in developing economies is precisely to mobilize factors such as capital and specialized labor which, being imperfectly marketed, might otherwise not be supplied or allocated to the activities where there productivity is greatest."

According to Ahmad and Hoffman (2007), entrepreneurship happens within a regulatory framework, which affects entrepreneurial performance. The regulatory frame of an entrepreneur is interpreted to consist of taxes, regulations and other public rules. These policies are subdivided into: administrative burdens (entry and growth); bankruptcy legislation; safety, health, environment and product regulation; court-legal framework; labor market regulation; social and health security; income taxes; business taxes and fiscal incentives; capital taxes; wealth and bequest taxation. Available literature from Uganda reveals that lack of entrepreneurship development, inadequate entrepreneurial capabilities and lack of SME support institutions, constrain industrial development. This is corroborated by the results of the World Bank (2007, p. x) which assert that regulatory policy uncertainty and specific regulatory regimes significantly affects the private sector in Uganda. This implies that Ugandan entrepreneurs as a whole must cope with a substantial regulatory burden. Specifically the World Bank's (2007) Investment Climate Assessment, revealed that Uganda's business face very severe constraints of regulatory policy uncertainty, customs and trade regulations and procedures, tax administration, tax rates, corruption, macro-economic instability, cost of financing and access to financing and electricity. We therefore hypothesize:

H1. The prevalence of the negative regulative institutional framing for entrepreneurship in Uganda.

Integrative research aimed at understanding Schumpeterian entrepreneurship at the individual and institutional level is gaining ground (Lundstrom and Stevenson, 2005). Institutions reduce economic uncertainty (North, 1992) and act as a source of legitimization, rewards/incentives and constraints to "agents of creative destruction" (Baum and Oliver, 1992). Constraints and incentives set entrepreneur's behavior into motion (North, 1990). Since entrepreneurs are not detached from social settings, legitimacy of their entrepreneurship actions will be derived from normative institutions (Powell and DiMaggio, 1991; Meyer and Rowan, 1977). As Alexander and Kumaran (1992) note norms, beliefs and values impact actions of the entrepreneur. From the foregoing we hypothesize:

H2. The presence of normative institutional framing for Ugandan entrepreneurs.

According to Hoffman *et al.* (2002, p. 239), cognitive institutions "are socially constructed assumptions or models of reality and refer to the collective constructions of social reality via language, meaning systems and other rules of classifications embodied in public activity." A cognitive assessment reveals that entrepreneurship in Uganda is not taken as a serious occupation. This is supported by the fact that necessity as opposed to opportunity entrepreneurship dominates Ugandan high TEA (Rosa and Lacobucci, 2010). Lifelong working for big enterprises is the most desired career for Ugandans and just do side business to supplement their income. As revealed by (Loyalka and Dammon, 2006) such people who spent most of their life in such careers may dislike entrepreneurship. This is consistent with the world bank report doing business that has revealed that Ugandan business community often complain about difficulties in dealing with corrupt government officials, revenue authority officers and agencies. This view is consistent with Ziman (2000, p. 300) who reveals that "Human beings owe much of their success as organisms to the further evolution of

more complex cognitive capabilities, such as recognizing patterns, defining similarity classes, constructing 'maps' and mental models, and transforming these socially, through communication, into inter-subjective representations and the epistemology of science is inseparable from our natural faculty of cognition" (Ziman, 2000, p. 289). From the above discussions we therefore hypothesize that:

H3. There is a wide array of cognitive views among Ugandan entrepreneurs.

Methodology
Research design
This study adopted a cross-sectional descriptive and analytical research design, examining institutional framing for entrepreneurship in Uganda. To answer the research hypotheses generated in the literature review section, we undertook a large-scale comprehensive survey covering a random sample of SMEs from two districts. Only towns with high-growth population figures were covered in this survey. The study targeted geographical areas with high population rates because entrepreneurship appears to exist in areas with high establishments. Additionally, some scholars argue that entrepreneurship as a factor of production is scarce both quantitatively and qualitatively and unequally distributed among the population (Henrekson, 2007; Baumol, 1968; Machovec, 1995). We used the population estimates for the year 2011 from the Uganda Bureau of Statistics (2011) to identify eligible towns for the study. These geographical areas selected include Jinja – 89,700 and Mukono – 59,000.

Population, sample size and sampling procedure
The study population consisted of 29,922 SMEs licensed by local authorities at municipal/town council level. Consistent with Uganda Investment Authority (UIA) (2010, p. 27), "the number of sampled towns was based on the concentration of businesses in the towns." Details are shown in Table I. In this survey we sought a 95 percent confidence level and computed a sample size of 743 SMEs. Lists of registered SMEs by local authorities were used to form the sampling frame.

A two-stage sampling procedure was adopted in identifying enterprises to be studied. First, cluster sampling technique using municipals and town councils in case of districts were used to identify enterprises to be sampled. As a general rule, the sampled SMEs were identified using business registers of municipals and town councils for districts. This was necessary since most SMEs are located in municipals and towns. Second, after identifying these clusters, a simple random sampling technique using a table of random numbers was used to pick the required number of SME in each division or municipal or town council. All registered businesses were listed in alphabetical order and given identification numbers chronologically.

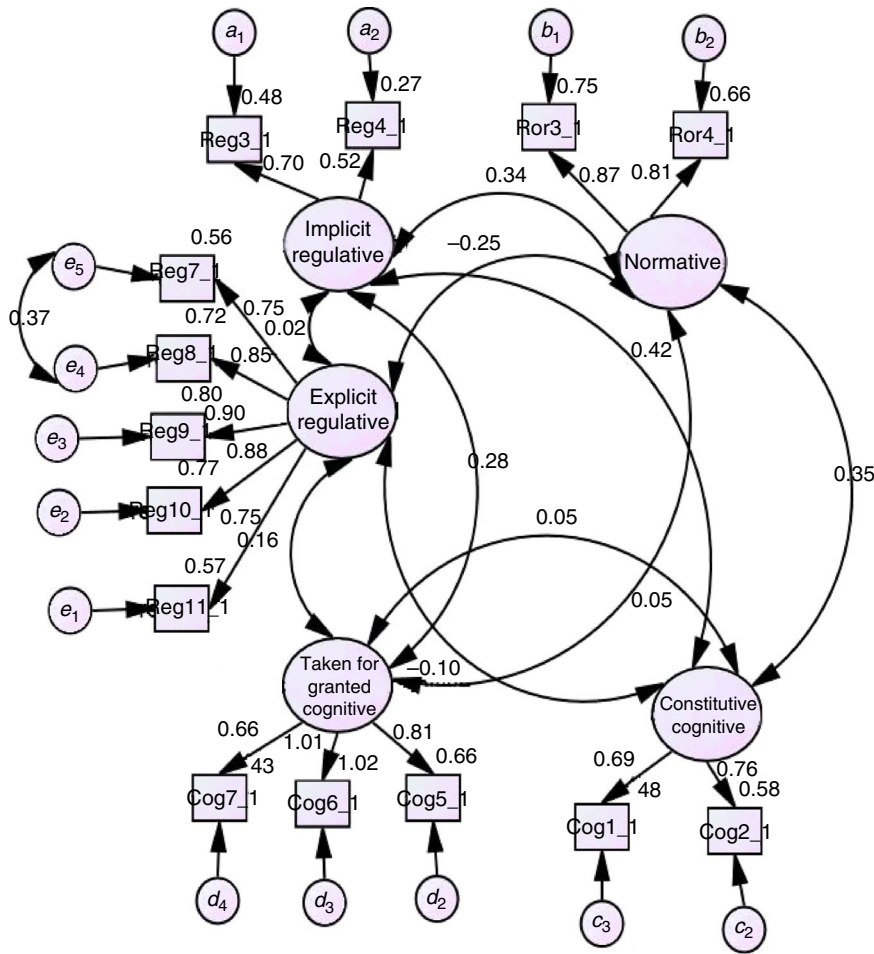| No.	District	Population	Number of registered SMEs	Sample	Number of usable questionnaire	Response rate
1	Mukono	59,000	11,796	371	333	89.75
2	Jinja	89,700	13,126	372	326	87.63
		148,700	24,922	743	659	89

Table I.
Population and sample size

The selection criterion was based on the length of the largest numbers on the population list. We selected digits in groups of two, three and four for the numbers that were in tens, hundreds and thousands, respectively. Consistent with the rules of sampling, we only selected cases from the list for the sample which corresponded with the identified number from the table. Using this process we ignored all repeated numbers and numbers that were not on the population list. This process was continued until we achieved the desired sample size of 743. The questionnaire was pilot tested in Seeta town (Mukono district) and Mbiko town (adjacent to Jinja town) by three independent researchers not involved in the main study. All ambiguous, double barred and difficult questions were revised prior to conducting the final survey. Data were collected from owner-managers of independent SMEs. The response rate for the main survey was good, 82 percent. In this paper we present results derived from a sample of 659 usable questionnaires.

Data collection instrument and measurement of variables
This study utilized a questionnaire to collect data from respondents. This questionnaire had both fixed response and open-ended questions. All measurement items were derived from previous published studies, adapted and tested for validity and reliability. Cronbach's α coefficients for all constructs were above 0.7. In operationalizing institutional framing, we used the ideas of North (1996, p. 344) who defines institutions as "formal constraints (rules, laws, and constitutions), informal constraints (norms of behavior, conventions, and self-imposed codes of conduct), and their enforcement characteristics." North's ideas on institutions were mapped with Scott's (2008) regulative, normative and cognitive pillars. We therefore followed the regulative, normative and cognitive classification of institutional factors proposed by Scott (2008) to design measurement items to tap institutional framing for entrepreneurship in Uganda. Extra item scales were obtained from World Bank (2007), doing business survey.

Model specification
In this section we attempt to specify the measurement model utilized in this study. The measurement model was developed through a careful examination and analysis of the number of common factors, the number of observed variables, the variances and covariances among the common factors, the relationships among observed variables and latent factors, the relationships among residual variables and the variances and covariances among the residual variables (Jöreskog and Sörbom, 1989). We start model specification by describing factor equations in a five-factor model as shown in Figure 1. Note that the observed variables do not have direct links to all latent factors. Consistent with Bentler (1995), the parameters to be estimated in the model are the regression coefficients, the variances and the covariances of the independent variables. δ_i (expressed in terms of $a_1, \ldots, a_n, b_1, \ldots, b_n, c_1, \ldots, c_n, d_1, \ldots, d_n, e_1, \ldots, e_n$) is the residual variable (error) which is the unique factor affecting x_i (expressed in terms of Reg3_1, Reg4_1, etc.). These variables are further described in Table VI. λ_{ij} is the loading of the observed variables x_i (e.g Reg3_1) on the common factor ξ_j. The common factor ξ_j is defined in terms of: ξ_1 is the implicit regulative, ξ_2 the explicit regulative, ξ_3 the taken for granted, ξ_4 the constitutive cognitive, ξ_5 the normative. The relationships for this part of the measurement model can now

Notes: Goodness of fit index (GFI) = 0.971; degree of freedom (df) = 66; probability
(p) = 0.000; incremental fit index (IFI) = 0.984; Tucker Lewis index (TLI) = 0.977;
comparative fit index (CFI) = 0.984; root mean square error of approximation
(RMSEA) = 0.041

be specified in a set of factor equations in a scalar form similar to the regression model
$Y = X\beta + \varepsilon$:

$$
\begin{aligned}
&\text{Reg3\_1} = \lambda_{11}\xi_1 + a_1 &&\text{Reg4\_1} = \lambda_{21}\xi_1 + a_2 \\
&\text{Reg7\_1} = \lambda_{32}\xi_1 + e_5 &&\text{Reg8\_1} = \lambda_{42}\xi_2 + e_4 \\
&\text{Reg9\_1} = \lambda_{52}\xi_2 + e_3 &&\text{Reg10\_1} = \lambda_{62}\xi_2 + e_2 \\
&\text{Reg11\_1} = \lambda_{72}\xi_2 + e_1 &&\text{cog1\_1} = \lambda_{83}\xi_3 + c_3 \\
&\text{cog2\_1} = \lambda_{93}\xi_3 + c_2 &&\text{cog5\_1} = \lambda_{104}\xi_4 + d_2 \\
&\text{cog6\_1} = \lambda_{114}\xi_4 + d_3 &&\text{cog7\_1} = \lambda_{124}\xi_4 + d_4 \\
&\text{nor3\_1} = \lambda_{135}\xi_5 + b_1 &&\text{nor4\_1} = \lambda_{145}\xi_5 + b_2
\end{aligned}
\tag{1}
$$

Most of the calculations are performed as matrix computations because structural equation modeling (SEM) is based on covariance matrices. Mathematically, the relationship between the observed variables and the factors is expressed as matrix equation:

$$\begin{bmatrix} x_1 \\ x_2 \\ x_3 \\ x_4 \\ x_5 \\ x_6 \end{bmatrix} = \begin{bmatrix} \lambda_{11} & 0 \\ \lambda_{21} & 0 \\ \lambda_{31} & 0 \\ 0 & \lambda_{42} \\ 0 & \lambda_{52} \\ 0 & \lambda_{62} \end{bmatrix} \begin{bmatrix} \xi_1 \\ \xi_2 \end{bmatrix} + \begin{bmatrix} \delta_1 \\ \delta_2 \\ \delta_3 \\ \delta_4 \\ \delta_5 \\ \delta_6 \end{bmatrix} \tag{2}$$

and the matrix form for the measurement model is now written in a matrix form.

$x_1 = \text{Reg3\_1}$ is defined as a linear combination of the latent variables $\xi_1, \dots \xi_2$ and δ_1. The coefficient for $x_1 = \text{Reg3\_1}$ is λ_{11} indicating that a unit change in a latent variable ξ_1 results in an average change in $x_1 = \text{Reg3\_1}$ of λ_{11} units. The coefficient for ξ_2 is fixed to zero. Each observed variable x_i has also residual factor δ_i which is the error of measurement in the x_i's (Reg3_1$_i$'s) on the assumption that the factors do not fully account for the indicators.

Results

A total of 659 (Jinja 326; Mukono 333) usable questionnaires representing 88.7 percent response rate were received for our study. These two locations were chosen for historical reasons and to provide diversity. Jinja town is the former largest industrial town of Uganda and Mukono is an adjoining newly industrializing town. The age group was concentrated between early and middle adulthood: 47.6 percent were aged 18-20, 30.3 percent were aged 31-40, 13.7 percent were aged 41-50 and 8.7 percent were aged over 50 years. Of the participants 51.3 percent were male and 48.7 percent females.

A bulk of these respondents (26.7 percent) had at least some university education, 19.9 percent held A level certificate, 19 percent held diploma, 18.1 percent held O level and 7.3 percent held primary certificates. The remaining 2 and 7.1 percent of the participants held masters and other qualifications, respectively. As regards job tenure, majority (51.6 percent) of the owner managers had been in business for a period of zero to five years. This was followed with 26.7, 11.2 and 10.5 percent of the owner managers who had been in business for six to ten years, over 15 years and 11-15 years, respectively. In total, 78 percent had ever started a business and later closed it due to unfavorable harsh competitive and regulatory environment.

Interestingly 36 percent of surveyed businesses had been in operation for ten years and above in contrast to 31, 24 and 8.8 percent of the businesses that had operated for one to four years, five to nine years and less than one year, respectively (Table II).

With regard to ownership, 77.8 percent of the SMEs were sole proprietorship, 20.2 percent partnerships and 0.3 percent others. Analysis of the employment status of these SMEs revealed that 76.2 percent of these SMEs had one to five employees, 21.7 had six to 49 employees and 14 percent had 50-99 employees. With regard to annual sales turnover: 36.6 percent had below Uganda Shillings (UGX) 1,000,000; 20 percent had UGX 1,000,001-5,000,000; 14.4 percent had UGX 5,000,001-10,000,000; 9.6 percent had UGX 10,000,001-20,000,000; 10.3 percent had UGX 20,000,001-50,000,000 and 9.1 percent had over UGX 50,000,000 (Table III).

	Frequency	%	Cumulative %
Age of the respondent			
Valid			
18-30	314	47.6	47.6
31-40	200	30.3	77.9
41-50	90	13.7	91.7
Over 50	55	8.3	100
Total	659	100.0	
Gender			
Male	338	51.3	51.3
Female	321	48.7	100.0
Total	659	100.0	
Highest level of education			
Primary	48	7.3	7.3
O level	119	18.1	25.4
A level	131	19.9	45.3
Diploma	125	19.0	64.3
Degree	176	26.7	91.0
Masters	13	2.0	93.0
Others	47	7.1	100
Total	659	100.0	
How long have you been working for this business			
0-5 years	340	51.6	51.6
6-10 years	176	26.7	78.3
11-15 years	69	10.5	88.8
Over 15	74	11.2	100.0
Total	659	100.0	
For how long has this business been in existence			
Less than one year	58	8.8	8.8
1-4 years	205	31.1	39.9
5-9 years	159	24.1	64.0
10 years and above	237	36.0	100.0
Total	659	100.0	

Table II.
Descriptive statistics

We run an exploratory factor analysis using the principal component analysis as an extraction method to explore the factor structure of institutional frames for entrepreneurship in Uganda. Varimax rotation method with Kaiser normalization was used. Factor analysis was necessary to summarize the data since we had a large pool of item scales that had been adapted from different sources. Consistent with Hair *et al.* (1998), "factor analysis derives underlying dimensions that, when interpreted and understood, describe the data in a much smaller number of concepts than the original individual variables." We run the Kaiser-Meyer-Olkin measure of sampling adequacy to assess whether our data are suitable for factor analysis while the Bartlett's test of sphericity determined whether the variables in question constitute an identity matrix and are therefore unrelated. The Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity revealed a coefficient of 0.809 with an approximate χ^2 of 6528.262, df $= 378$ and significance $\leqslant 0.001$.

This result reveals that the data is fit for data analysis and that the relationships among variables are significant. All measurement items had communalities of over 0.60. The exploratory factor analysis produced five factors of explicit regulative

	Frequency	%	Cumulative %
How would you categorize the ownership of this business			
Valid			
Partnership	144	21.85	21.85
Sole proprietorship	513	77.84	99.69
Others (please specify)	2	0.3	100.0
Total	659	100.0	
Number of employees			
1-5	502	76.2	76.2
6-49	143	21.7	97.9
50-99	14	2.1	100
Total	659	100	
Annual sales turnover in Uganda shillings			
Below 1,000,000	241	36.6	38.7
1,000,001 up to 5,000,000	132	20.0	56.6
5,000,001 up to 10,000,000	95	14.4	71
10,000,001 up to 20,000,000	63	9.6	80.6
20,000,001 up to 50,000,000	68	10.3	91
Over 50,000,000	60	9.1	100.0
Total	659	100	
Classification of the sector			
Energy	17	2.6	2.6
Engineering	24	3.6	6.2
Food and drinks	33	5.0	11.2
Footwear or clothing	75	11.4	22.6
Printing and publishing	19	2.9	25.5
Construction	23	3.5	29.0
Wholesale distribution	30	4.6	33.6
Retail	121	18.4	52.0
Hotels and catering	21	3.2	55.2
Business services	57	8.6	63.8
Education and training	5	0.8	64.6
Recreational	24	3.7	68.3
Agriculture/fishing	16	2.4	70.7
IT or internet	8	1.2	71.9
Hospitality/leisure	3	0.5	72.4
Other	183	27.8	100
Total	659	100.0	

Table III.
Organizational
characteristics

institutions (20.85 percent), implicit regulative institutions (15.29 percent), constitutive cognitive (12.22 percent), taken for granted or "task-specific cognitive frame" (10.91 percent), normative institutions (7.52 percent) explaining 66.797 percent of the variance in institutional framing for entrepreneurship.

We then run a confirmatory factor analysis (CFA) to confirm these dimensions and test the fit of theoretically grounded model of institutions to data (Joreskog and Sorbom, 1989). CFA for the measurement model was investigated using SEM). Since our data were normally distributed, SEM was assessed using maximum likelihood estimation. This was done through the development of several competing rival models to be fit to the data (Popper, 1962) thereby allowing the underlying construct model to be tested rigorously through serious disconfirmation efforts. CFA allowed data reduction and to construct meanings to institutions through entrepreneurs' frame of

reference. Consistent with Schermelleh-Engel *et al.* (2003), results reveal an acceptable model fit of CMIN/df (χ^2/df) of 2.125, which was <5. Byrne (1989a, b, p. 55) reveals that "[…] a χ^2/df ratio >2.00 represents an inadequate fit." The root mean square error of approximation was 0.041 compared against the recommended standard ratio of $\leqslant 0.08$.

Compared to the recommended standard cut off point of $\geqslant 0.95$, the Tucker-Lewis index was 0.977, and the comparative fit index was 0.984 compared to the recommended ratio of $\geqslant 0.90$ (see Figure 1 and Table IV for the detailed summary of results). Figure 1, shows that the regulatory dimension was split into two factors of implicit regulative institutions and explicit regulative institutions. The cognitive institutions was also split into constitutive cognitive and taken for granted (task-specific cognitive frame). Normative dimension was produced with some items not loading significantly. For instance contrary to literature, items like "entrepreneurs are admired in this country" and "people in this country tend to greatly admire those who start their own business" did not load significantly (Table V).

Regulative institutions and implications
As seen earlier in Figure 1, the regulative institution construct produced two constructs of explicit regulative and implicit regulative institutions.

Explicit regulative institutions
The summary item statistics in Table VI generally reveal absence of a supportive explicit regulative institutions (Mean $= 2.09$, SD $= 0.918$) in form of policy and regulatory framework. Currently, Uganda has many uncoordinated and conflicting

	χ^2	χ^2/df	df	GFI	CFI	AGFI	NFI	RFI	IFI	TLI	PNFI	RMSEA
Cut off point		$\leqslant 5.0$		$\geqslant 0.95$	$\geqslant 0.90$	$\geqslant 0.95$	$\geqslant 0.95$	$\geqslant 0.95$	$\geqslant 0.95$	$\geqslant 0.95$		$\leqslant 0.08$
Estimated model	140.3	2.125	66	0.971	0.984	0.954	0.969	0.958	0.984	0.977	0.703	0.041

Table IV.
Model fit

		Regression weights	Estimate	SE	CR	p	R^2
Reg11_1	←	Explicit regulative	1.000				0.752
Reg10_1	←	Explicit regulative	1.049	0.045	23.448	***	0.876
Reg9_1	←	Explicit regulative	1.095	0.046	23.729	***	0.896
Reg8_1	←	Explicit regulative	1.057	0.047	22.412	***	0.849
Reg7_1	←	Explicit regulative	0.922	0.048	19.379	***	0.752
Cog5_1	←	Taken for granted cognitive	0.834	0.034	24.730	***	0.810
Cog6_1	←	Taken for granted cognitive	1.000				1.009
Cog7_1	←	Taken for granted cognitive	0.601	0.032	18.870	***	0.657
Cog2_1	←	Constitutive cognitive	0.942	0.126	7.493	***	0.762
Cog1_1	←	Constitutive cognitive	1.000				0.690
Reg3_1	←	Implicit regulative	1.000				0.696
Reg4_1	←	Implicit regulative	0.839	0.137	6.109	***	0.522
Nor3_1	←	Normative	1.000				0.867
Nor4_1	←	Normative	0.849	0.074	11.396	***	0.813

Notes: Please note that the variable description and descriptive statistics are presented in Table VI. ***Significant at 0.001

Table V.
Regression weights

		n	Minimum	Maximum	Mean	SD (δ)	α
	Implicit regulative institutions						
Reg3_1	Government allows the market to set wages and prices	659	1.00	5.00	3.54	0.87	
Reg4_1	It is easy to open and operate a business in a given locality of a country	659	1.00	5.00	3.45	0.97	
	Summary item statistics	659	1.00	5.00	3.49		0.553
	Explicit regulative institutions						
Reg7_1	The government sets aside government contracts for new and small businesses.	659	1.00	5.00	2.09	0.99	
Reg8_1	Local and central governments have special support available for individuals who want to start a new business	659	1.00	5.00	2.06	1.01	
Reg9_1	The government sponsors organizations that help new businesses develop.	659	1.00	5.00	2.06	0.99	
Reg10_1	After failing in an earlier business, the government assists entrepreneurs in starting again.	659	1.00	5.00	1.96	0.97	
Reg11_1	Uganda has an SME policy that aims at developing SME businesses	659	1.00	5.00	2.22	1.07	
	Summary item statistics	659	1.00	5.00	2.09		0.918
	Constitutive cognitive						
Cog1_1	Percentage of economically active population that has attained at least tertiary education is increasing	659	1.00	5.00	3.69	0.86	
Cog2_1	Number of computers per thousand persons is improving	659	1.00	5.00	3.77	0.73	
	Trust						
	Summary item statistics	659	1.00	5.00	3.74		0.683
	Taken for granted cognitive (task specific cognitive frame)						
Cog5_1	Those who start new businesses know how to deal with much risk	659	1.00	5.00	3.30	1.05	
Cog6_1	Those who start new businesses know how to manage risk	659	1.00	5.00	3.39	1.02	
Cog7_1	Most people know where to find information about markets for their products	659	1.00	5.00	3.52	0.94	
	Summary item statistics	659	1.00	5.00	3.41		0.857
	Normative institutions						
Nor3_1	Turning new ideas into businesses is an admired career path in this country	659	1.00	5.00	3.39	0.95	
Nor4_1	In this country, innovative and creative thinking is viewed as a route to success	659	1.00	5.00	3.52	0.86	
	Summary item statistics	659	1.00	5.00	3.46		0.827

Table VI.
Variable description and descriptive statistics

government units and departments that claim to handle the interests of SMEs. These government units and departments include SME Investment Promotion Unit; SME Desk in the Ministry of Trade, Industry and Cooperatives; and SME Desk at the UIA. Added to this confusion is the presence of many private sector organizations and associations involved in promoting and developing SMEs but with competing and often conflicting mandates (e.g. UWEAL, PSF, USSIA, UMA, KACITA, UNCCI, etc.).

Respondents revealed that the Uganda government does not sponsor organizations that help new businesses to develop (Mean = 2.06, SD = 0.99). Additionally, problems of coordination besides not having an SME and business start-up policy (Mean = 2.22, SD = 1.07), the available government laws and regulations are punitive to entrepreneurs.

The study further reveals the absence of an SME policy and government's failure to make a holistic enabling law and to facilitate the development of SME businesses. We therefore argue that the absence of a comprehensive SME policy has in a way influenced future behavior of entrepreneurs in engaging in meaningful and rewarding productive work. This partially explains the absence of inter-organizational or association synergies. Additionally, we argue that the would-be entrepreneurs spend much cognitive, affective and emotional time on speculative activities rather than investing their efforts in meaningful productive enterprises. This has largely forced many SMEs to avoid and/or shun formalities and choose informal behavior instead (Ntayi *et al.*, 2012). We argue that this state of affairs may in part explain the existence of a very big informal sector in Uganda. That is why 78 percent of the owner managers whose business fail due to unfavorable regulative requirements metamorphose into the current informal businesses.

Despite the decentralization efforts in Uganda and the associated benefits, local and central governments do not have special support available for individuals who want to start new businesses (Mean = 2.06, SD = 1.01). Business registration process is cumbersome and overly lengthy. Government is interested in emphasizing formal written rules of taxation, license fees collection, market dues, local administration fees. Once these laws/rules are violated, instant punishments are either enacted and/or are administered. Such a highly politicized state discourages business start-ups and development. The current mechanism employed by the state is coercive raising the question of legitimacy of the current government leadership, business laws and rules thereby complicating compliance issues.

Results further reveal that the Government of Uganda has failed to set aside government contracts for new and small businesses (Mean = 2.09, SD = 0.99). Although in its recent amendment, Section 50 of the PPDA Act, caters for encouragement of SME engagement in public procurement through reservation schemes, its implementation and operationalization remains vague and a dream for many PDEs to realize. The process of implementing this PPDA provisions is unnecessarily difficult and cumbersome for PDEs to implement. For example Section 50 of the PPDA Act states that:

> […] (2) To promote particular sectors within specified geographic areas, specified public procurement contracts or parts of a contract shall be subject to reservation schemes.

and Section 59B of the PPDA Act on reservation schemes states:

> […] In accordance with section 50 (2), the Authority shall, in consultation with a competent authority, and relevant stake holders specify the public procurement contracts to be subject to a reservation scheme and shall designate the particular sectors, within a specified geographical area, that are eligible to participate in the reservation scheme.

Unfortunately PPDA has not provided an implementation framework for the implementation of this PPDA legal provision thereby locking out SMEs from accessing government contracts. Additionally, PDEs do not see any material benefit or incentive of applying or invoking the law. Section 59B of the PPDA Act subsection (3) states that:

> […] A procuring and disposing entity that intends to make a procurement under a reservation scheme shall – (a) apply to the Authority for permission to use alternative

procurement procedures and documents and shall in the application indicate the contract packages, specifications and contracting processes to be included in the bidding documents; and (b) deal with only the providers that are eligible to participate in a reservation scheme, in accordance with this section.

This is a discouragement to entrepreneurial development in Uganda, given the finding that after failing in an earlier business, the Uganda government does not assists entrepreneurs in starting again (Mean = 1.96, SD = 0.97). Although the study revealed availability of financial services to SMEs, there is limited scope of financial accessibility and wide disparity between the cost of borrowing and interest rates offered on deposits. This is exacerbated by the poor financial literacy levels of borrowing SMEs. Respondents revealed that government has failed to play a facilitating role to business establishments.

Implicit regulative institutions
Content analysis revealed the presence of implicit regulative institutions for entrepreneurship (Mean = 3.49, SD = 0.91). The regulative institutions were defined as the abstract and/or passive selection and aggregation of information about co-occurring legal support for entrepreneurship events and features in Uganda. SME owner managers opined the existence of typically abstract or unwritten rules and codes of conduct and the associated referee points that underlie entrepreneurship frames or schemas in Uganda. They underscored the importance of preserving order for contending interests of business establishment and development in Uganda. SME owner managers were of the view that although it is a commonly held belief that it is easy to open and operate a business in any part of the country (Mean = 3.5, SD = 0.97), government has not come up with any explicit law to encourage and promote either local or regional development of entrepreneurship, yet the entrepreneurship resource is rare and scarcely distributed within the entire country. It is common for entrepreneurs to use a sequence of artificial rules to perform a number of business-related activities without knowing the exact nature and operationalization of the rules/regulations. This has tended to either promote phobia or give them masterly and control over the prevailing delicate and complex business environment in Uganda. The implicit regulative frame has created a business knowledge base that is used as a reference point to easily and precisely predict and influence business outcomes. Despite these findings, owner managers were aware of the legal implications of their actions. This tends to demonstrate the interactive nature of implicit and explicit regulative frames.

The above discussions have policy and managerial implications for government. Government needs to close all the uncoordinated SME units located in different ministries and establish a strong entrepreneurship bureau or department of small business administration in the Ministry of Trade and Industry. This department should be charged with the mandate of providing both technical and operational support for business establishment and development including the establishment of business incubation parks in different regions or districts of Uganda.

Cognitive institutions
This study reveals that the cognitive frame for entrepreneurship is a composite of constitutive and taken for granted cognitive frames (task-specific cognitive frame) (see Figure 1 and Table VI for details). The constitutive cognitive frame of the entrepreneur is central in determining his/her survival. This frame is rooted in the possible reproduction and self-constitution of entrepreneurial traits. These frames

are constituted by firsthand and graphic experiences of entrepreneurs with their immediate environments and the social agents. Social agents conditioned, the way entrepreneurs think and act through the socialization process. Members of these social groups take their entrepreneurship framing and/or actions for granted. These environments provided material support, motivation and resources required for entrepreneurial actions. Entrepreneurs learnt entrepreneurship traits through association and norm persuasion and social pressure arising from identity and emulation.

A deeper analysis of this finding reveals that the constitutive cognitive dimension was a composite of the items adopted from the World Development Indicators database. This perspective on cognitive institutions has been previously utilized in prior research (Gaur and Lu, 2007; Parker and Tamaschke, 2005; Wan and Hoskisson, 2003). These items are the percentage of economically active population that has attained at least tertiary education (Mean = 3.69, SD = 0.86), the number of computers (Mean = 3.77, SD = 0.73) and internet hosts per thousand persons. These results suggest that education, availability of ICT infrastructure and internet hosts are essential in influencing the way entrepreneurs think and act. This could be attributed to the fact that the internet facility provides information which impacts entrepreneurial mind.

The task-specific cognitive frame is a composite of possession of information and knowledge about the market (Mean = 3.52, SD = 0.94), dealing with business risk (Mean = 3.30, SD = 1.05) and risk management (Mean = 3.39, SD = 1.02). This task-specific cognitive frame involves making sense of the existing market information, exploring connections and entrepreneurship logic within existing information, assigning meaning to the derived models and connections and construct appropriate entrepreneurship frames. The "task-specific cognitive frame" classification is important in determining entrepreneurship opportunities. Consistent with Simon (1978), the task-specific cognitive frame derived from information and knowledge generated helps in perceiving a business idea, formulating entrepreneurship goals and theorizing ways and means to implement it. Entrepreneurs use their cognitive cues to screen and discriminate information on the basis of association with the existing pattern and/or frame in the memory. All information that does not fit an identified schematic pattern in the mind is either ignored or discarded or dropped.

This information and knowledge is obtained through experience and/or the development of a sense of appreciation and admiration for the existing business enterprises and entrepreneurs who act as role models. This has tended to create bridges and/or networks for interactions and sharing information thereby giving rise to shared logic of action through which meaning is made. Our findings are consistent with Dunning *et al.* (1989), who reveal that entrepreneurs possess cognitive views of their abilities which tend to reflect the "above average effect," a characteristic that makes it possible to identify and exploit opportunities. Respondents revealed that they had preference for doing things better and in an innovative style of problem solving when problems arise in the course of starting or running a new business. Those who start business in Uganda are high-risk takers because they do not know how to handle and manage business risk. As a result, information about markets for their products is obtained from kinship and friendship networks. In this paper we argue that both local and central government(s) need(s) to establish and operate information or resource centers which would provide data and information to potential, actual and operating businesses. This department should have a training wing to advice entrepreneurs with the regulatory requirements, incentives, networking, business risks, etc.,

Ministry of Education and the National Council for Higher Education would take a lead in ensuring that the internship project implemented by universities is utilized to create capacity to the universities.

Normative and constitutive cognitive institutions
The normative institution urges SME managers to conform to values and norms. Societal norms represent that which should be done, while values on the other hand represent norms plus accepted standards for action. Consistent with DiMaggio and Powell (1983), SME owner managers felt obliged and compelled to honor the norms embedded in the peers and/or common socialization experiences. Results reveal that although, innovative and creative thinking is viewed as a route to success (Mean = 3.52, SD = 0.86), turning new ideas into businesses is not an admired career path in this country (Mean = 3.39, SD = 0.95). Professional affiliations, networks and/ or background experiences such as attending universities with similar ideals, goals and programs (Mizuchi and Fein, 1999) are used to form and implement entrepreneurship frames. Normative institutions assist in goal setting and offer acceptable paths to achieve those goals. Dyadic relationships where companies share some information, rules and norms provide normative pressure for influencing SME owner manager behavior (Powell and DiMaggio, 1991). This study is supported by Ntayi *et al.* (2012), who reveal high levels of informalities in Ugandan business transactions (that's why corruption can't easily be stamped out […] it yields results and reduces the cost of doing business although in the long run it is more costly than following formal rules). This means that while the formal process of setting up business discourages business startups, the presence of informal substitutes are still conducive to new entrants. New entrants need to use informal networks of established business people who introduce and/or recommend them to another business person for briefing, coaching or mentorship thereby building trust).

This study reveals that normative institutions and constitutive cognitive frames are significantly and positively related ($r = 0.35$, $p \leqslant 0.001$). This means that a positive change in rules, norms and value systems which "preserve dominant reward and sanction schemas" (Baptista, 2009, p. 403) result in a cognitive change in the entrepreneurship facilitators like education and ICT facilities. The "common understanding that are seldom explicitly articulated" (Zucker, 1983) may be a result of the level of sophistication of a particular society. For example in Uganda, the slow pace of changes in informal institutions is due to political instability which was much longer, leading to a lack of institutional memory. This means that generational change may be needed before we observe changes in informal institutions. The finding that turning new ideas into business is not an admired career path in Uganda suggests a legacy of normative institutions which is not conducive to entrepreneurial activity (Estrin and Mickiewicz, 2010).

Consistent with earlier studies that advocated for strengthening the weak judicial system, etc., this study finds that there is need to create an institutional frame that supports business startups – right from village level. This requires having properly planned and demarcated business areas for all types of business – metal fabrication, small-scale manufacturing, brick laying, social entrepreneurship activities, etc., rather than scattering business all over the place. Having business incubation parks in every major town will be a major breakthrough in Ugandan entrepreneurship activities. This will require undertaking a deliberate effort in training entrepreneurs who are interested in starting business and also work on the soft and hard infrastructure

required for business operation. These entrepreneurs could be exempted from the discouraging formalities of business registration and payments at the start of business and encouraging them to go through formalities gradually after training. Barriers to entry for SMEs like being arrested by city/town councils, the unwarranted fear for demolishing their businesses the following day or fear that their business premises will be bought off the following day by scrupulous rich people will diminish. Additionally, fear that city or town authorities will demand favors in form of bribes (kitu kidogo) or in another form depending on the age and sex of the person involved in business will diminish. It is the responsibility of government to improve the perceptions of the constitutive cognitive institutions. Licensing and registration requirements that raise the cost of entry reduce competition and generate rents for incumbents (consistent with World Bank doing business).

Additionally most of the respondents surveyed were in their youthful years. Meaning that being a member of the oldest age is not strongly associated with entrepreneurial entry in Uganda. These findings have wider implications because they help us to understand the process of change in informal institutions. We suggest that in practice generational change may be required to bring about the shift in values and attitudes necessary for changes in informal institutions, thereby creating conditions more conducive to entrepreneurship. The recognition that entrepreneurial entry is extremely difficult in the absence of a predictable and legitimate set of rules that support economic activity. This therefore calls for "governance reforms" to realize meaningful entrepreneurial entry and growth.

Conclusion and recommendations

This research finds that a person's implicit regulative institutions, explicit regulative institutions, constitutive cognitive, taken for granted cognitive (task-specific cognitive frame) and normative institutions framing significantly affects entrepreneurship in Uganda. This paper creates a framework for understanding institutional frames for entrepreneurship in Uganda. These frames determine the entrepreneurial actions of SME managers. Entrepreneurship development needs to have a holistic institutional approach that includes formal and informal orientations toward entrepreneurs. This requires systemic changes in key policy areas.

We therefore recommend that government should provide:

(1) Modern and reliable infrastructural support to entrepreneurs. This support should be in terms of incubation parks, advisory services, reliable energy supply, applied research and development services, technology, free and simplified business registration facilities and market facilitating institutions like the certification.

(2) ICT facilities and infrastructure and internet facilities aimed at allowing diffusion of innovation, access to technology and information.

(3) Incentives to form networks and partnership with government supporting departments and regulatory agencies.

(4) A comprehensive SME and/or entrepreneurship policy. This should reflect positive changes in regulatory business institutions.

(5) Framework for changing peoples' attitudes toward entrepreneurship in Uganda.

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