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Entrepreneurial activities in a developing country: an institutional theory perspective

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Abstract

Purpose – Entrepreneurship research in the context of developing countries has typically investigated the ways in which culture, politics or economic institutions prohibit or enable entrepreneurial activities using macro-level surveys and deductive designs. In contrast, the purpose of this paper is to take a micro-institutional perspective to study these three institutions influencing entrepreneurial activities in such a context.

Design/methodology/approach – The analysis is based on inductive, qualitative field data from a challenging institutional environment, Tanzania. This includes two focus groups, one with experts and one with entrepreneurs; and 24 individual interviews with entrepreneurs.

Findings – Entrepreneurial activities in Tanzania are not constrained only by bureaucracy and arbitrary enforcement, access to capital, competition and consumer spending, but also by language barriers, negative media portrayals and gender disparity. In their favour, recent trade policy, opening up of borders and changing gender relations, has led to more opportunities, but just as important are traditional festivals, marital gift-giving and familial support. Entrepreneurs respond to institutional constraints in many creative ways, including undertaking entrepreneurial strategies, developing inner strength, joining associations, giving back to communities and skilfully managing relations with authorities.

Originality/value – The fine-grained discussion of the findings of this study specifically contributes to theory by illustrating the constraining and enabling role of under-represented institutions, such as festivals and marriages, as well as entrepreneurial creative responses that define everyday entrepreneurial life in a developing country.

Keywords Entrepreneurs, Institutions, Developing countries, Small firms, Institutional theory

Paper type Research paper

Introduction

A growing area of research aims to contextualise entrepreneurial phenomenon by investigating how institutional contexts enable and constrain entrepreneurial activities (Aldrich and Fiol, 1994; Bruton *et al.*, 2010). As opposed to studies that include only individualistic, resource-based and rationalistic perspectives of entrepreneurship, the notion of institutional embeddedness argues that it is the prevailing values, rules, expectations and material infrastructure in countries that simultaneously provide individuals with entrepreneurial opportunities and set boundaries for their actions (Tolbert *et al.*, 2010; Welter, 2011). Institutional theory applied to entrepreneurship foremost posits that entrepreneurs must conform to existing institutions in order to gain



endorsement and legitimacy and resources from important referent audiences and stakeholders (Greenman, 2013; Jain and Sharma, 2013). This line of research has expanded in recent years with studies trying to untangle complex and endogenous effects of institutions (see Su *et al.*, 2017 for review).

Nevertheless, understanding the activities of entrepreneurs in challenging institutional environments, that is, what they actually do, when they develop a new venture is “perhaps the most under-researched aspect of venture creation” (Shook *et al.*, 2003, p. 390). One reason for this under-representation is that analysing institutional environments can be done at different levels: the micro (i.e. the individual), the meso (i.e. the sector, but also geographically, ethnically, economically or politically tied communities) and the macro (i.e. society) levels. To date, the majority of research has particularly conceptualised institutions at a macro- or meso-level by using large sample surveys and cross-country comparative studies (Manolova *et al.*, 2008; Stenholm *et al.*, 2013) with aims of demonstrating broad cultural effects on entrepreneurial motivation and entry (Aparicio *et al.*, 2016; Urbano and Alvarez, 2014). Despite these gains, much less is known about entrepreneurial behaviour and perseverance in challenging institutional environments at the micro-level (Rodrigues and Child, 2003; De Castro *et al.*, 2014). In other words, the lack of studies at the micro-level has led to general findings that mask the personal stories and experiences of the people who act in and around the firm in challenging institutional environments. Wicks (2001) argues convincingly that institutional theory could also be a micro-level variable impacting individual behaviour, and called for more studies to connect macro-micro (institutional-individual mindset) dimensions. In this paper, we follow recent studies into challenging institutional environments, also called “institutional voids” (Mair and Marti, 2009), to address these issues by inductively investigating institutional constraints, enablers and creative responses by entrepreneurs in a developing country, Tanzania.

Our inductive study follows calls for more qualitative insights (Bruton *et al.*, 2010) to make three main contributions to theory. First, we find that language and gender, in addition to economic and political institutions, play a significant role in enabling and constraining entrepreneurial activities. Language barriers have received scholarly attention only in terms of refugee or immigrant entrepreneurs not speaking a local (western) language (Wauters and Lambrecht, 2008; Smallbone *et al.*, 2010). We point out that language comprehension in multi-ethnic societies is a crucial shared institution that is obscured when emphasis is a priori placed on norms and values associated with entrepreneurship generally. Moreover, this study demonstrates that changing gender perceptions may give both advantages and disadvantages to women as they may be perceived and dealt with differently (Essers and Benschop, 2007). Second, while much is known about how macro-economic policy influences the entry and survival chances of entrepreneurs (Audretsch and Thurik, 2000), our study illustrates how local festivals, traditions of marriage and gift-giving and the family remain as central institutions that help to facilitate entrepreneurial activities by shaping demand and providing capital and labour. Finally, this study adds to a growing call for researchers to examine the creative ways of doing entrepreneurship in challenging institutional environments (Khavul *et al.*, 2009; De Castro *et al.*, 2014). We add to this discussion by showing that Tanzanian entrepreneurs not only undertake well-known entrepreneurial strategies, such as focussing on reducing prices while increasing quality, uniqueness and speed to market, but they also focus on their self-regulatory (inner) strength through commitment, working harder, taking action and having confidence in themselves (Van Gelderen, 2012). Less well-known responses to institutional constraints are also revealed: we find that Tanzanian entrepreneurs skilfully manage relationships with authorities through knowing appropriate circumstances in which to “stand up” for themselves, speaking kindly and paying bribes. Others choose non-compliance by avoiding registration and paying tax as well as not reporting full sales

earnings because they knew they would be paying a bribe later. Accordingly, these micro-level and fine-grained details provide richer insights into the influences of various institutions on everyday entrepreneurship in developing countries.

This paper continues with a literature review of institutional theory and entrepreneurship research, narrowing down to studies conducted in developing countries. Subsequently, we describe our methodological approach and analyses, which leads to a findings section. We end the paper with a discussion about theoretical contributions and future research that emerges from our findings.

Literature review

This section reviews literature on institutional theory perspective of entrepreneurship, and its current use in understanding entrepreneurial activities in developing countries.

Entrepreneurial activities from an institutional theory perspective

There is growing scholarly recognition that entrepreneurship is intimately linked to the institutional context in which it occurs (Bruton *et al.*, 2010). Institutions encompass notions of culture, legal environment, tradition and history and economic incentives, which organise social interaction by constraining and enabling activities and decisions (Greenman, 2013). As opposed to more individualistic, resource-based and rationalistic perspectives (Tolbert *et al.*, 2010), the core premise of the institutional embeddedness of entrepreneurial activities is that prevailing values, rules, expectations and material infrastructure in countries often shape entrepreneurial activities (Jain and Sharma, 2013).

Institutional theory applied to entrepreneurship suggests that entrepreneurs must conform to existing institutions in order to gain endorsement and legitimacy and resources from important referent audiences and stakeholders (Su *et al.*, 2017). Entrepreneurs aim to garner essential human and financial resources by convincing potential resource constituents of the legitimacy, appropriateness and desirability of their proposed activities relative to one or more socially constructed system of evaluation (Suchman, 1995; Tolbert *et al.*, 2010). By structuring the attention and action of entrepreneurs, customers, suppliers and investors, institutions forge a shared sense of social reality (Thornton *et al.*, 2011). Common institutional factors, for instance, that influence entrepreneurial activities are market conditions and property rights (Foss and Foss, 2008), family structure (Bika, 2012), formal policy (Murdock, 2012) and the availability of capital (Audretsch and Thurik, 2000). Inadequate institutional development can complicate new venture development (Mair and Marti, 2009) while a more developed institutional environment with overly restrictive regulation can hamper activities (Gurses and Ozcan, 2015). Moreover, research has found that informal relationships, such as small associations and local networks, may help to fill in the “institutional voids” resulting from an inadequate formal institutional infrastructure (Khanna and Palepu, 1997). Through these informal institutions such as building connections with key government officials and other managerial ties (Peng, 2003; Peng and Luo, 2000), entrepreneurial activities may be possible even when they are not legally recognised, although these ties can also be costly and hinder new venture development (Klapper *et al.*, 2006). Accordingly, a focus on institutionally embedded entrepreneurial action allows scholars to appreciate the relationships between entrepreneurship and the institutional settings in which it comes about (Watson, 2012).

Institutional theory-led entrepreneurship research in developing countries

While institutional theory-led entrepreneurship research has grown over the past few years, most of this research continues to focus on entrepreneurship in developed countries (Su *et al.*, 2017). Nevertheless, a recent number of studies have investigated institutional influences in developing countries. In his seminal book, De Soto (2000) argues that

entrepreneurs can be discouraged to formally register and start businesses if they are forced to comply with too many rules and procedural requirements, are expected to report to an array of institutions and have to spend substantial time and money in fulfilling documentation requirements. For example, it recently required 28 days at significant cost to register a new business in Tanzania and even longer in other Sub-Saharan African countries (World Bank, 2018). Other aspects of developing countries inhibit economic development, such as: aging infrastructure, including rail and port; retained government control in the private sector and land ownership; high energy costs; insufficient budgetary discipline; and dependence on donor support (Central Intelligence Agency, 2018). Moreover, access to information of how to form a business is seen as a large hindrance (Saini and Bhatia, 1996). Tanzanian entrepreneurs also tend to copy behaviour (imitative as opposed to innovative businesses) with limited ability to compete on price and quality (Kristiansen *et al.*, 2005), which leads many to rely on social ties; known across Africa as “Ubuntu”, which translates as tolerance, kindness, unification, sharing and emphasis on helping others as a way of helping oneself (West, 2014). This type of social network has been shown to play an important role for entrepreneurs in the context of Africa’s developing countries (Khavul *et al.*, 2009).

Despite these findings, there remain three opportunities to extend institutional theory-led research of entrepreneurial activity in developing countries. First, analysing the effects of institutional environments on entrepreneurship has more often been completed at a macro-level using large sample surveys (Manolova *et al.*, 2008; Stenholm *et al.*, 2013). Despite these gains, much of the contextual details, which include the perceptions of local entrepreneurs who must creatively respond to these institutional constraints, are left hidden or incomplete. Second, because we lack studies that investigate institutions and entrepreneurial activities at the micro-level, we also lack research that inductively explores how various institutions may enable or constrain entrepreneurial activities (Su *et al.*, 2017). This further makes the personal stories and experiences of the people who act in and around the firm in a challenging institutional environment under-represented. Finally, given a lack of micro-level and inductive studies, we still know very little about entrepreneurial activities in response to institutional constraints in developing countries (Mair and Marti, 2009). As mentioned previously, while entrepreneurs are likely to use informal network ties to overcome “institutional voids”, there are likely many creative responses to institutional constraints that remain unknown. As a consequence, this study contrasts with many previous studies that have examined macro- and meso-level effects by focussing on the personal stories and experiences of the people who are constrained, enabled and who must act in a particularly challenging institutional environment: Tanzania, the African developing country in our study.

Methodology

This section describes the research context, research design, sample selection and data collection procedures for this study. Furthermore, we detail the data analysis methods used.

Research context: Tanzania

Since its independence in the early 1960s, Tanzania has transformed from a socialist, government-controlled economy towards a market-driven economy with agriculture as the largest sector by occupation (almost 67 per cent of the labour force), but among the smallest by gross domestic product (GDP) composition (23.4 per cent). In 2016, 47 per cent of the population was living on the poverty line of US\$1.90 per day, but still 12 million Tanzanians live in extreme poverty of less than US\$0.60 per day. In 2017, the country’s GDP per capita was US\$3,300, placing it in the 191st position out of 230 countries. These numbers have not changed much in the last decade, despite Tanzania’s strong averaged GDP growth between

2009 and 2017 of 6-7 per cent per year. The main reason for this is its strong population growth. Tanzania's GDP growth rate is mainly caused by the success of non-labour-intensive sectors, such as the services sector, from which few people benefitted (Central Intelligence Agency, 2018; World Bank, 2018).

Tanzania has a factor-driven economy: much is based on the supply and demand of basic necessities. A characteristic typical of such an economy is that it often has a small large-scale sector and, therefore, a large small-scale sector (McDade and Spring, 2005). Africa's small large-scale sector mostly manufactures furniture, rubber, leather products, plastics, pharmaceuticals, beverages, clothing and soaps/toiletries, or operates in the construction and transportation industries (Adenikinju *et al.*, 2002). The large small-scale sector is Tanzania's economic backbone that consists of primarily micro- and small-sized enterprises (MSEs). These MSEs play an important role in improving livelihoods and are often the last resort of the poor (Eijdenberg, 2016; Mnenwa and Maliti, 2009).

Research design

Using Gephart (2004) as a guide to our qualitative research, the data were collected from a mix of individual interviews with entrepreneurs of different types of businesses, and two focus groups comprised of experts and entrepreneurs from one industry. Whilst the focus groups were meant to obtain a general perspective of institutional effects on entrepreneurial activities, the purpose of the individual interviews was to obtain inductive data on institutional constraints, enablers and responses. The main advantage of focus groups is that participants concentrate on personal experiences related to the topic and build on each other's comments to provide a general picture of the phenomenon. Hence, the interactive nature of focus groups renders a broad perspective on the topic. The main disadvantage of focus groups is that the conversation can be monopolised by one dominant participant, and hence shy participants are not able to provide their insights (De Mey and Smith, 2013). As opposed to the focus groups, the main advantage of the individual interviews is that the responses are generally personal and detailed, and therefore, the researcher is more able to elaborate extensively on the respondent's personal experiences and phenomena. Interviews with the entrepreneurs of different types of businesses were descriptive; that is, the interviews were meant to present "a complete description of a phenomenon within its context" (Yin, 2009, p. 5). A major disadvantage is that the individual interviews are limited with respect to airing different viewpoints and multiple interactions, as opposed to discussions in focus groups.

Sample selection

It is well known that collecting primary data in developing countries, such as Tanzania, involves major challenges for researchers (Kriauciunas *et al.*, 2011). Nevertheless, we believe that the most genuine data stem from the context in which the entrepreneurs operate. Therefore, the first author of this study (hereafter referred to as "the researcher") collected the data in Dar Es Salaam, Tanzania, the largest commercial city in East Africa with roughly 4.3 million inhabitants. All data were collected in August 2014. The researcher used the snowball sampling technique (De Mey and Smith, 2013) as the basis for the selection of the respondents. "Snowballing involves recruiting individuals to collect data from other individuals whom they think meet certain inclusion criterion defined by the researcher" (McGee *et al.*, 2009, p. 974). The first focus group consisted of six experts: five men and one woman. The criteria for selecting the experts were as follows: each expert should have working experience in an industry which dealt intensively with small and medium-sized enterprises and MSEs in Tanzania, for example the financial sector; and each expert should be at least at the middle management level within his or her current organisation.

The second focus group consisted of six entrepreneurs, five men and one woman, from the pharmaceutical industry in Tanzania. The choice of the pharmaceutical industry was twofold: first, it is a typical Tanzanian business, in terms of the large quantity of these types of businesses in and around large cities, such as Dar Es Salaam; and second, entrepreneurs from the pharmaceutical industry are generally more highly educated than those in other typical Tanzanian industries, such as hardware, handicrafts and garments. Consequently, the entrepreneurs from the pharmaceutical industry were able to speak English on a professional level.

The 24 individual interviews were undertaken with 9 female and 15 male entrepreneurs. All businesses were formally registered and obliged to pay taxes, and most of the businesses were started with a bank loan of approximately US\$1,500. The oldest business was founded in 1985, and the most recent in 2011, but most of the businesses were founded between 2000 and 2010. The majority of the businesses had a few employees, generally up to five, often on a part-time basis, and many of the employees were friends or family members. Furthermore, the region has many immigrants from outside of Africa who have lived for a number of generations in East Africa and have been able to become relatively successful (Rosa, 2005). For example, half of the formal businesses with more than ten employees in East Africa are owned by people of Asian and Middle Eastern descent (Schulpen and Gibbon, 2002). This is also reflected in the number of entrepreneurs who are of Indian descent in Dar Es Salaam. Therefore, the researcher conducted five interviews with entrepreneurs of Indian descent who had been born and raised in Tanzania. The other 19 interviews were with indigenous, Tanzanian entrepreneurs. Table I provides an overview of the sample.

Data collection

The researcher used two interview guides: one for the focus groups and one for the individual interviews. Both interview guides are presented in Table II.

The discussions in the focus groups were conducted in English. Focus groups consisted of four to ten participants who were involved in the conversation with the purpose of discussing the complexity of the participants' personal experiences concerning a certain topic (De Mey and Smith, 2013). The first focus group took place in an office building in the city centre of Dar Es Salaam. The duration was one hour and four minutes. The second focus group took place in a hotel just outside of the city centre of Dar Es Salaam. The duration was 52 minutes. The generic question that bound all others was "What makes you or other people start a business?" Of the 24 interviews with entrepreneurs, 12 interviews were conducted in English, and 12 interviews were conducted in Kiswahili with an English translation provided by a Tanzanian assistant. Follow-up questions were asked to unravel more about entrepreneurial activities. The majority of the interviews took place during business hours in the stores of the entrepreneurs themselves, as they were not able to leave their business for another interview location, because there was no one else to take charge of the store. The businesses were located in the Kariakoo ward, in the Ilala district of Dar Es Salaam. Kariakoo is also known as the commercial area of Dar Es Salaam with its extensive marketplaces. The average duration of the individual interviews was approximately 30 minutes. The local conditions did not lend themselves to extend the duration of the interviews, because the entrepreneurs were either busy with managing their business, or the interview spot was too crowded with surrounding customers, pedestrians and market vendors. The researcher reached data saturation after 24 individual interviews: at that point, the researcher found that incremental learning had become minimal and phenomena were being reported repetitively (De Mey and Smith, 2013). All data were voice-recorded and transcribed verbatim. The respondents did not object to our using their original first names in the current paper, but their family names remain anonymous for privacy reasons.

Group: background	First name	Gender	Age range	Current professional position as given by the respondent	
The first focus group: the experts (Adelard up to and including Mashaga). All respondents had a professional background at different institutions in the financial sector before they currently had started working at a commercial bank that primarily deals with SMEs	Adelard	Male	Middle-aged	Manager of SMEs	
	Carol	Male	Middle-aged	Research analyst	
	Filbert	Male	Late 30s	Head of banking	
	James	Male	Early 30s	Senior relationship manager of SMEs	
	Loelia	Female	Middle-aged	Accounts manager of SMEs	
	Mashaga	Male	Mid-30s	Accounts manager	
	The second focus group: the entrepreneurs from one industry (Amisa up to and including Yabin). Before their current professional position, the respondents had been involved in several, different types of businesses throughout their lives	Amisa	Female	Middle-aged	Founders and owners of businesses in the pharmaceutical industry
		Bushiri	Male	Middle-aged	
		Fabian	Male	Middle-aged	
		Gilbert	Male	Middle-aged	
Hosea		Male	Middle-aged		
Individual interviews with entrepreneurs of different types of businesses (Abdulrahman up to and including Zaheeda). The respondents had various professional backgrounds. Pinky, Pyarali, Sanjay, Yussuf and Zaheeda are of Indian descent; all others are indigenous Tanzanians	Abdulrahman	Male	Late 40s	Founder and owner of a jewellery shop	
	Agnes	Female	Middle-aged	Founder and owner of an electronics store	
	Arsen	Male	Middle-aged	Founder and owner of a restaurant	
	Avelino	Male	Late 40s	Founder and owner of a cosmetics store	
	Eliamini	Female	Middle-aged	Founder and owner of a shop selling underwear	
	Gregory	Male	Middle-aged	Founder and owner of a shop selling men's clothes	
	Loveness	Female	Middle-aged	Founder and owner of a shop selling women's clothes	
	Husein	Male	Early 30s	Founder and owner of a baby clothes shop	
	Joseph	Male	Middle-aged	Founder and owner of a shop selling curtains	
	Kawawa	Male	Mid-30s	Founder and owner of a mobile phones store	
	Martin	Male	Late 40s	Founder and owner of a shop selling textiles and garments	
	Pasko	Male	Middle-aged	Founder and owner of a carpet store	
	Pinky	Female	Late 20s	Founder and owner of a tailor shop	
	Pyarali	Male	Middle-aged	Founder and owner of a tailor shop	
	Ramadhani	Male	Early 50s	Founder and owner of a shop selling self-made paintings	
	Salman	Male	Late 20s	Founder and owner of a restaurant	
	Sanjay	Male	Late 30s	Founder and owner of a shop selling utensils for ordinary daily use	
	Sophia	Female	Early 30s	Founder and owner of a shop selling women's clothes	
	Shamilo	Female	Middle-aged	Founder and owner of a shop selling utensils for ordinary daily use	
	Thomas	Male	Middle-aged	Founder and owner of a mobile phones store	
	Upendo	Female	Middle-aged	Founder and owner of a women's accessories shop	
	Victoria	Female	Middle-aged	Founder and owner of a baby clothes shop	
	Yussuf	Male	Late 40s	Hotel owner-manager	
Zaheeda	Female	Early 30s	Founder and owner of a money exchange office		

Table I.
Sample descriptives

Data analysis

Data analysis was carried out by the co-authors following established qualitative data analysis techniques, specifically comparative thematic analysis (Gioia *et al.*, 2013). Figure 1(a-c) provides a visual description of this process. Thematic analysis is a method for identifying,

Type	Interview guide for the focus groups	Question Guide for the individual interviews with entrepreneurs different types of businesses
Main question	Who wants to start a business in the East African Community (EAC)? Why? Which motivations are most important for people in the EAC to start a business?	At what point did you decide to start a business? Why?
Depending on how the interview developed, possible follow-up questions were asked – if relevant and/or necessary	Could small businesses in the EAC also occur in the informal sector? Could you elaborate if entrepreneurs in the informal sector in the EAC are able to make the step to the formal sector in the EAC? Could you elaborate how entrepreneurs in the informal sector in the EAC are able to make the step to the formal sector in the EAC? Are there many female-owned, informal small businesses in the EAC? Why?	What was your work experience before the start of the current business? How do you experience having your own business until now? What are the barriers of starting your own business? How have you dealt with the barriers of starting your own business? What are the stimulating factors of starting your own business? How have you dealt with the stimulating factors of starting your own business? What are the critical success factors of having your own business? Why do you think many people start an informal business? How do you experience to be an entrepreneur as a woman? To what extent do you perceive entrepreneurship as a masculine activity?

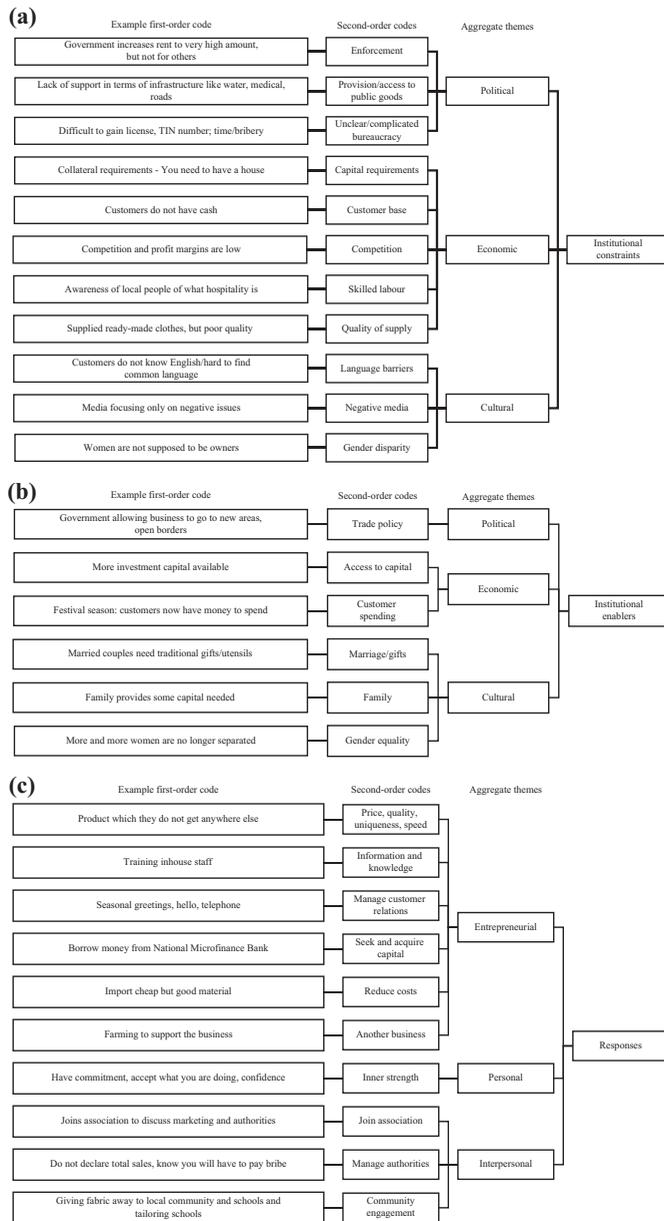
Table II.
Interview guides

analysing and reporting patterns from within data. Specifically, the co-authors first examined each empirical source multiple times per focus group and interview and carefully coded data into first-order codes (a quotation, paragraph or observation in a reduced number of words) that represented how an element of institutional environment was influencing activities and responses by entrepreneurs. This resulted in 155 codes being generated. Next, these codes were allocated to categories of “institutional constraints”, “enablers” and “responses to constraints”. Those mentioned more than once in these categories were grouped into second-order concepts that aimed to capture the general meaning of each first-order code. This resulted in 27 second-order codes across the three categories. Finally, these 27 second-order codes were combined into aggregate themes as shown in Figure 1(a-c).

Findings

Institutional constraints to entrepreneurial activities

Our analyses show that entrepreneurs speak of high taxes, insufficient provision or access to public goods, arbitrary enforcement of rules and (most of all) unclear rules and complicated bureaucracy (licences, information, bribery, paying taxes) as the core politically driven institutional constraints to their activities (see Figure 1(a) and Table III). A total of 11 procedures, defined as “any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries)”, need to be taken to start a business (World Bank, 2018). Registering a business in Tanzania is often perceived as



Notes: (a) Institutional constraints; (b) institutional enablers; (c) entrepreneurs' responses to institutional constraints

overly bureaucratic: the first step is to receive a Taxpayer Identification Number (TIN), obtained at the district or regional office of the Tanzania Revenue Authority. Subsequently, a business licence can be obtained (Tanzania Revenue Authority, 2018). Finally, the business name can be registered at the Business Registration and Licensing Authority (BRELA).

Table III.
Institutional constraints

Type	Responses	Example quote (first name of respondent)
Political	Enforcement	“The government itself has raised the rent of the shops by 300%” (Sanjay). “They increased it a couple of years ago to a very high amount. And the next door shop had to pay a little amount despite their shop being bigger than ours” (Pyarali)
	Provision/access to public goods	“There has not been much support from the government by the infrastructure. You know, there is like basic lack of water and medical facilities and roads and law and order” (Yussuf)
	Bureaucracy	“You know, when opening up a business, you have to bribe to get a license. You have to meet certain conditions with them” (Pyarali)
Economic	Capital requirements	“The requirements to get a loan. You need to have the requirement of a house” (Victoria)
	Customer base	“[Customers] don’t have the cash; but they pay after they have gone. Maybe they pay you after 5 or 10 days” (Avelino)
	Competition	“Sometimes I bring some goods, and the other one brings at a lowers the price. When I try to lower down, then the profit margin becomes very small” (Shamilo)
	Skilled labour	“Quite a few of them are not aware of what a guest is; what hospitality is” (Yussuf)
	Quality of supply	“You do get [quality textile] here, you don’t get the fitting, you don’t get the quality, you don’t get the pricing as well” (Pyarali)
Cultural	Language barriers	“Language barriers means multiple languages. Speaking with people from Zambia, Congo, yeah. You find Congolese, some of them coming from Congo here, and most of them doesn’t know English and that’s a problem also” (Agnes)
	Negative media	“The media has also his part to play and nothing is highlighted. Only the negative things are highlighted. The positive things: nobody seems to give out much of importance”. (Yussuf)
	Gender disparity	“The women have been involved in small business, because most of the women in our culture, have not been in school. So, most of the men, have their own employment. Even in the big business, the women are not involved. So that’s why you see that on small-scale business, most of women are involved. But if there are big business, it’s for the men” (Fabian)

The BRELA is responsible for business administration and law regulation in Tanzania, which acts under the auspices of the Tanzanian Ministry of Industry and Trade. While TIN, the business licence and the BRELA allow the entrepreneur to professionalise and commercialise the business to a certain extent, it is often costly and confusing to comply. Moreover, it is commonplace to pay bribes to satisfy officials even in cases when documents are prepared timely and correctly.

We find that economic institutional constraints include strict capital requirements, as well as issues with clients (low consumer spending and seasonal demand). Tanzania is a country that is still heavily dependent on its agricultural sector which substantially contributes to its GDP (almost 25 per cent) and to its exports (85 per cent), whilst providing much employment for its workforce. While the country has seen increasing per capita income in the last few years (as discussed in the section “Research context: Tanzania”) the country is still classified as a “Least Developed Country” by the United Nations (2018). A number of entrepreneurs mentioned that recent market reforms had increased their competition whilst not helping them improve supply of quality labour, and supply or quality of goods. Finally, some entrepreneurs offer services to overseas tourists, but have responded that international clients often lack trust. For example, Yussuf explains, “you know any foreigner here is scared to use his credit card, because of the

so-called reputation of Africa. Even if you do inform your bank when you use a credit card, you will get an alert that you use your credit card in Africa, because they are scared [...] So that's the reason that we don't have that much volume of credit card sale". Moreover, some entrepreneurs operating with international clientele suggested that the country's tourist industry is often a target of negative media coverage, which reduces the trust clients have in their services.

In addition to political and economic dimensions, we find that entrepreneurs mention language barriers as a key cultural constraint to their activities. Agnes described language barriers as "speaking with people from Zambia, Congo, yeah. You find Congolese, some of them coming from Congo here, and most of them doesn't know English and that's a problem". Finally, a number of entrepreneurs (and also discussed in the second focus group) mentioned gender inequality as a barrier to their entrepreneurial activities. While there is an increasing number of women who are motivated to engage in entrepreneurial activities, they often operate in the informal economy, and are often perceived as insignificant, because they are considered too small or thought to only marginally contribute to economic development (Langevang and Gough, 2012; Tandrayen-Ragoobur and Kasseeah, 2017).

Amisa argues that "women have been involved in small business, because most of the women in our culture, have not been in school. So, most of the men, have their own employment. Even in the big business, the women are not involved. So that's why you see that on small-scale business, most of women are involved. But if there are big business, it's for the men". Some women are able to stand out and become highly successful entrepreneurs, but nonetheless many of our interviewees responded that gender roles still constrain women and/or guide their entrepreneurial activities towards informal entrepreneurship in the country (Snyder, 2000).

Institutional enablers to entrepreneurial activities

Our findings also suggest that entrepreneurs find new formal legislation and the opening of borders for the free movement of people and goods has allowed them to expand their business (see Figure 1(b) and Table IV). For example, in the last two decades the "East African Community" has been formed: a regional intergovernmental organisation consisting of the Republics of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania and the Republic of Uganda that promotes regional economic and political cooperation (East African Community, 2018). Tanzania's economy has substantially benefitted from this

Type	Responses	Example quote (first name of respondent)
Political	Trade policy	"When the second president has opened out the market to bring in goods from abroad, and a lot of things were not being seen in Dar Es Salaam, were brought in from foreign countries. So many people started getting involved" (Sanjay)
Economic	Access to capital	"For capital, you can plan yourself where you go and get it. Maybe now, it's more easy, because you go to the bank, take loan and you start a big business – in the past, there was no loan at the bank" (Ramadhani)
	Customer spending	"February to March is the festival season, so that's the period for them to order for the goods. And when they arrive, you'll find that the market is now starting here in Tanzania." (Shamilo)
Cultural	Marriage/gifts	"When somebody want to marry, he or she should have utensils. Even the mother at home should have utensils. So there is a high demand of utensils" (Shamilo)
	Family	"I was working with relatives, my brother, he was giving some amount of money to come and start working – so that was a stimulating factor. It's my family" (Kawawa)
	Gender equality	"Previously [business] was for men. It was only men conducting business. But now it's both" (Upendo)

Table IV.
Institutional enablers

form of internationalisation (Rutashobya and Jaensson, 2004). Entrepreneurs also argue that capital, although difficult to acquire, can now more easily be obtained through banks than in the recent past. This is in line with Tanzania's execution of the World Bank's "Doing Business" reforms in 2004 that has slowly resulted in some progress in the last decade in aspects such as getting credit, paying taxes and registering property (Lyons *et al.*, 2014). A number of entrepreneurs also suggested that demand was increasing specifically during festival season when consumer spending is higher following the sales of agricultural products. Most local consumers of goods and services for our sample make their livelihood through agriculture. Festival season often occurs when agricultural products are sold, increasing their consumer spending power during this period. Other cultural enablers that were mentioned were marriage (married people buying traditional gifts), the family (helping with capital and labour) and increasing gender equality. Marriage, as a cultural institution, coincides with gift-giving, which many of the entrepreneurs suggested increased the demand for their goods and services. The family (the "social safety net") remains a core institutional enabler (Khavul *et al.*, 2009) and this strongly connects to the concept of "Ubuntu" (West, 2014). As a cultural institution, the family is particularly influential in terms of supplying a form of access to capital for investment as well as labour to engage in entrepreneurial activities. Finally, while many mentioned that gender inequality was responsible for pushing many women into poverty or necessity entrepreneurship, many entrepreneurs suggested that gender roles were changing and more women entrepreneurs were visible. Amisa summed up this opinion by stating "nowadays women starting to have eyes [...] They started to compete with men", explaining that more educated, married and older women feel pride in self-sufficiency and communities are more positive towards them.

Responses to institutional constraints

We are particularly interested in the creative ways in which entrepreneurs respond to institutional constraints in their local context. We find a number of interesting and unique activities, which are elaborated upon in Figure 1(c) and Table V. The first group of codes revealed that the most entrepreneurs respond to these constraints by undertaking well-known entrepreneurial strategies: focussing on reducing prices while increasing quality, uniqueness and speed to market. This included actively seeking out new information about customers, suppliers and market, learning new languages, planning for the future and training new employees (McDade and Spring, 2005; similarly described by Frese *et al.*, 2007). Another set of codes dealt with managing customer relationships, such as persuasion, building trust and various local marketing techniques (flyers and posters, greeting people, visiting key clients, etc.). Additionally, they dealt with economic constraints by seeking capital from banks (difficult) and family members, and cutting costs by removing employees or moving locations. Finally, another finding was that many entrepreneurs own multiple micro-businesses, such as having also a farm or animals, to reduce cash flow risks – known as the "octopus" strategy of employing a portfolio of (unrelated) businesses (Kiggundu, 2002).

The second group of codes revealed more personal responses to institutional constraints. At a personal level, many of the respondents mentioned building inner strength, such as commitment, working harder, taking action and having confidence in themselves. These findings align with arguments that entrepreneurial self-efficacy is particularly important for the development of new ventures (Zhao *et al.*, 2005). While these findings mostly relate to the choice of becoming an entrepreneur, recent research finds that high self-efficacy is particularly beneficial in the early stages of establishing a venture when initiative and commitment are required to overcome the uncertainty of survival (Trevelyan, 2011). Van Gelderen (2012) expands on this topic to argue that self-regulatory (inner) strength is a core perseverance strategy, enabling entrepreneurs to resist impulses and take action in challenging situations.

Type	Responses	Example quote (first name of respondent)
Entrepreneurial	Focus on price, quality, uniqueness, speed	“Putting things at low price and bring it to the market, lowering the price offers possibilities. Selling it at a cheaper price, but high quality service” (Arsen)
	Information and knowledge	“Today, the best thing for a business, is planning, for next future [...] we need to plan five years ahead what we want to do and how we want to do it. But before that, it was whatever you had at hand – that was how we started off. Now we are adapting to planning and strategy” (Pyarali)
	Manage customer relations	“We have a guest feedback card which we discuss with all the managers once in the three days; once in the four days. Depends on how many comments we’ve got. We discuss the good comments; we discuss the bad comments. And then we see how we work along our way to overcome these obstacles” (Yussuf)
	Seek and acquire capital	“On the issues of “Mtaji” (capital), the government is also not helpful. For capital, you can plan yourself where you go. Maybe now, it’s more easy, because you go to the bank, take loan and you start a big business [...] now you can go to the bank; you take loan; and you start a business” (Ramadhani)
	Reduce costs	“You have to raise out your products to gain the profit whatever you gain. So that’s the way that you do. I used to have four servants, now I have one” (Sanjay)
Personal	Own another business	“I have almost 160 goats to support the business. Yeah. I also have chickens of about 130 to support this business” (Arsen)
	Inner strength	“Personally, 100% personally. You have to accept what you’re doing. And get confidence” (Martin)
Interpersonal	Join association	“[at the association] we discuss everything. We discuss about the marketing. We sit together and talk; and discuss about why do we need to move from here. Where do we need to go to another place to make business?” (Ramadhani)
	Manage relationship with authorities	“Unless you know that you’re right, and they can’t do anything about it, then you stick to your guns. Otherwise you just need to talk nicely, and they’ll go away.” “You know, when opening up a business, you have to bribe to get a license. You have to meet certain conditions with them. And obviously, they should benefit at the end of the day” (Pyarali)
	Community engagement	“We have started a couple of years ago even to go outside the city, to the suburbs. And we have do some philanthropy work; so we give our fabrics to people who are in need; who are in school, in tailoring schools. So they can learn how to do tailoring. And yeah [...] We just do then some good work. Make the community happy and do good work around here. Making the difference” (Pyarali)

Table V.
Responses to
institutional
constraints

The third group of codes dealt with various interpersonal responses to institutional constraints. Much like Khavul *et al.*'s (2009) findings that entrepreneurs use informal network ties to overcome institutional voids, we find that a few entrepreneurs joined an association to pool marketing, cope with arbitrary enforcement of rules and navigate difficult bureaucratic policies. In our study, entrepreneurs suggested that they join an association because authorities had made it illegal for them to sell their goods in certain markets, which can be dealt with by collectively finding a new place to occupy. Likewise, we find many of the entrepreneurs detailed how to skilfully manage relationships with authorities. On the one hand, when complying to rules, they argued entrepreneurs have to “stand up” for themselves when they are right, but at the same time speaking kindly and friendly (no talking back) to authorities. This very often coincided with paying bribes when appropriate (as is common practice in developing countries, see Williams *et al.*, 2016). Others mentioned that they choose non-compliance by avoiding registration, paying tax,

authorities or did not report full sales earnings because they knew they would be paying a bribe later. Finally, a few entrepreneurs mentioned that they partake in community engagement (providing free material and classes) in order to give back to the community as well as increase goodwill (similar also occurring in western countries, cf. Gorgievski *et al.*, 2011).

Limitations, recommendations for future research and implications for practice

While our study delves into fine-grained data and findings, it is only one of many studies that may be conducted to fully understand entrepreneurial activity in other challenging institutional environments, such in transition economies (e.g. countries in Eastern Europe) or newly formed countries (e.g. South Sudan). Replication with new samples in Tanzania as well as in other neighbouring countries will deepen understanding of constraints, enablers and responses as well as indicate differences and commonalities. Moreover, future studies can deepen insights made here by using other qualitative methods (e.g. ethnographies, experiments and longitudinal studies). For example, our study shows that language barriers are an important factor. A possible question for future researchers could be to explore what kind of barriers precisely is faced and how these barriers span over time, tribe and region. Moreover, our findings on the traditional markets and festivals can be further explored by, for example, studying what type of festivals is crucial to entrepreneurship and to what extent. Accordingly, when studying engagement in entrepreneurial activities in other challenging institutional environments, future researchers are suggested to take our findings as a possible point for departure by extending insights into new territories.

Finally, this study postulates a number of possible implications for entrepreneurs and policy makers. Besides theoretical contributions, our findings provide numerous examples which may function as a way to bring policy makers closer to everyday life of entrepreneurs. On the one hand, there are the institutional constraints and enablers (e.g. in Figure 1: government enforcement and liberalised trade policy); on the other hand, there are the entrepreneurs' responses to these enablers and constrainers (e.g. joining associations and engaging in communities). It is important for policy makers to know about these common responses in order to improve the institutional conditions so that the responses are changed (such as paying bribes) or facilitated (joining associations).

Concluding discussion

Our analyses and findings lead to a number of contributions. First, institutional theory and entrepreneurship research often focus solely on the constraining factors of institutions at macro- or meso-levels of analyses (Urbano and Alvarez, 2014; Aparicio *et al.*, 2016). Less known are the day-to-day, real-life experiences of, and creative responses to, institutional constraints emerging from the personal stories and reports of entrepreneurs (Su *et al.*, 2017). In other words, literature on the institutional constraints to entrepreneurship recognises political, economic and cultural dimensions influencing entrepreneurial activity, but much of this research does not allow for details to emerge from local contexts and situations despite repeated calls do to so (Bruton *et al.*, 2010). In contrast, we conducted an inductive study that has revealed new, in-depth insights in the impact of various institutional dynamics on everyday entrepreneurship in a developing economy. This adds to contributions setting out to understanding the complexities of everyday entrepreneurial life (Bruni *et al.*, 2004; Steyaert, 2007), including also such experiences and events that might be considered too micro, or too mundane for most analyses (Engstrom, 2012; Steyaert, 2004). As well, and in line with this, our study answers to calls made to broaden the contexts in which entrepreneurial initiatives are studied (Baker and Welter, 2017), including also contexts in which conditions are constrained, so as to counter “fantasies” of the “heroic entrepreneur” (Johnsen and Sørensen, 2017), as well as “one size fits all” approaches (Annink *et al.*, 2016; Eijdenberg, 2016). Our micro approach importantly enhances our

understanding of how entrepreneurs cope in a constrained context, such as Tanzania, and how they find opportunities in local institutional occurrences.

Indeed, this study adds to a growing call for researchers to examine the creative ways of doing entrepreneurship in challenging institutional environments (Khavul *et al.*, 2009; De Castro *et al.*, 2014; Su *et al.*, 2017). While we find evidence to support traditional literature on entrepreneurial activities, we add to this discussion by showing that Tanzanian entrepreneurs not only undertake well-known entrepreneurial strategies, such as focussing on reducing prices while increasing quality, uniqueness and speed to market, we also find that they use perseverance and commitment that targets their self-regulatory strength (Van Gelderen, 2012). Just as entrepreneurs in developed countries, where most of this type of research has been conducted, entrepreneurs in developing countries also focus on their own behaviour, including reducing impulses, planning, taking action and look for solutions (Trevelyan, 2011). In addition, we contribute to literature on “institutional voids” (Mair and Marti, 2009) by showing that interpersonal relationships, such as associations, do help entrepreneurs tackle challenges, but also that they skilfully manage relationships with authorities through knowing the circumstances in which to “stand up” for themselves, through talk, paying bribes and withholding information when seen as appropriate. Entrepreneurial activities in challenging institutional environments, therefore, very often include skilful ways of communicating and negotiating with authorities. Another contribution is that entrepreneurs were found to engage with their communities to give back and increase goodwill. These activities, which do not seem directly or instrumentally related to solving institutional challenges, suggest a long-term and community-based orientation (contrasting individual economic interests). Skills in managing authorities and engaging with communities as a response to institutional constraints have so far received little attention in research.

Furthermore, we find that language and gender, in addition to economic and political institutions, play a significant role in enabling and constraining entrepreneurial activities. Language barriers have received scholarly attention only in terms of refugee or immigrant entrepreneurs not speaking a local (western) language (Wauters and Lambrecht, 2008; Smallbone *et al.*, 2010). We point at how language comprehension in multi-ethnic societies is a crucial shared institution that is obscured when emphasis is a priori placed on norms and values associated with entrepreneurship generally.

Moreover, this study demonstrates that changing gender perceptions may give both advantages and disadvantages to women as they may be perceived and dealt with differently (Essers and Benschop, 2007). And, by investigating institutional enablers in an inductive fashion, we find the importance of traditional markets and festivals as crucial to entrepreneurship. While much is known about how macro-economic policy influences the entry and survival chances of entrepreneurs (Audretsch and Thurik, 2000), our study illustrates how local market conditions and festivals that follow the agricultural season have a large influence on the timing and types of entrepreneurial activities. As well, our study contributes to the discussions on culture influences on entrepreneurial activities by identifying how the institutions of marriage and family are crucial for entrepreneurial activities by creating a demand for gifts and helping to solve capital and labour (trust) issues (Khavul *et al.*, 2009). In sum, our inductive findings provide much needed detail to this discussion that tends to employ only a broad notion of culture when understanding its influence on entrepreneurial activities (Busenitz *et al.*, 2000).

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