

## UGANDA ENTREPRENEURS: WHY ARE THEY IN BUSINESS

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### ABSTRACT

*The role of entrepreneurship in economic development is well recognized in most western countries. The recognition of this role is increasingly becoming international as many East European and third world countries replace state capitalism with free enterprise economic systems. This paper reports on a survey study done about the development and future prospects of entrepreneurship in Uganda. Based upon responses from 208 small business owners, the paper discusses what motivates Uganda entrepreneurs, their risk taking willingness, and the involvement of family members in the family business. The majority of Uganda entrepreneurs cited monetary considerations as the main reason for going into business, which could be a reflection of Uganda's current economic conditions. However, most of them would not exchange business ownership for jobs even if jobs became available and paid as well as their businesses. This was due to the independence Uganda entrepreneurs enjoy as business owners. Uganda entrepreneurs become entrepreneurs for monetary reasons but remain entrepreneurs for the freedom entrepreneurship accords them.*

### INTRODUCTION

The entrepreneurship spirit is catching on internationally as market-oriented economies replace planned economies, as individual/corporate capitalism replaces state capitalism, and as democracy replaces dictatorship. In countries such as the United States, small business and entrepreneurship make significant contributions to the economy. Small businesses (businesses with up to one hundred employees) employ close to 50% of the American workforce and produce over 40% of the gross national product (GNP). And since they create most of the new jobs, they are a key tool for getting the economy out of recessions. In a real sense, small business and entrepreneurship make up the centerpiece of the American free enterprise economic system.

Many policymakers in developing countries, especially with the collapse of central planning ideologies and increasingly at the urging of international bodies such as the International Monetary Fund (via the sometimes controversial structural adjustment policies), are adopting free enterprise mechanisms. One of these mechanisms, small business/entrepreneurship, is looked at with particular enthusiasm and it is frequently thought or taken for granted that entrepreneurs "will lead the way to new economic development (Giamartino, 1991). Malcolm Harper has summarized the reasons why entrepreneurship is expected to play an even bigger role in developing countries than it plays in developed countries (Harper, 1991). The following are some of the reasons that Harper suggests. First, during colonial times (and many countries, especially in Africa, became independent as recently as the 1980s) government was responsible for all economic activities. This colonial legacy must be broken and entrepreneurship is the way to do it. Second, another legacy of

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colonialism are state enterprises, a good example of which are the ubiquitous marketing boards. These state enterprises are failing badly. They leave major gaps in goods, services, and jobs. Entrepreneurs are needed to continue the operations. Third, colonial governments and the multinational corporations originating from colonial mother countries tended to favor capital intensive technologies amidst a shortage of capital and an abundance of labor. What is needed are local entrepreneurs to start new enterprises using labor intensive technologies. Fourth, some sections of the population in developing countries were deprived and, in some instances, continue to be deprived of access to resources. Such deprivation prevents these populations from participation in national (political and economic) development. Starting their own businesses is the only option available to them. This nation-building role of entrepreneurship, probably a secondary one in most developed countries, is a primary one in most new countries where entire tribal or religious groups do not have as yet a good sense of belonging to "their" country.

Another factor that makes entrepreneurship critical, especially in countries such as Uganda, the focus of this paper, are the civil wars that have devastated the economies left behind by the colonial regimes. In the case of Uganda, the wars all but destroyed the state enterprises. They did the same to peasant farming, thus, forcing a population influx into urban areas. Nearly unique to Uganda, the civil wars also forced an exodus of the Asian community from Uganda. They had been, since early in the colonial period, the backbone of Uganda's trading sector. When peace finally or temporarily returns, the gaps left behind must be filled. New entrepreneurs must set up enterprises to replace those destroyed by the wars and those that were abandoned by the Asians.

This paper investigates the form entrepreneurship in Uganda is taking and its prospects in the future. Because entrepreneurship develops within its surrounding environment (Peterson, 1988), we should expect certain unique features in relation to Uganda's entrepreneurship.

## METHODS

Between the summer of 1990 and the spring of 1991 a questionnaire was distributed to about 700 Ugandan entrepreneurs in and around Kampala, the capital, and Masaka, a town 80 miles southwest of Kampala. The sample may be described as a Convenience Sample, not selected randomly at all. Business owners had to be approached in person at their places of business/work and requested to volunteer to complete the questionnaire. The completed questionnaires also had to be picked up in person by the author or his assistants. Many of the entrepreneurs who had volunteered to complete the questionnaire did not do so. However, by June 1992, 208 usable, completed questionnaires had been received, a response rate of 30%.

The questions on the questionnaire fell into the categories of demographic, motivation, risk-taking, family involvement, ownership, financing, location/facilities, and sales growth strategies. In this paper, the discussion is restricted to demographic factors, motivation, risk-taking, and family involvement. Table 1 provides information about the sample entrepreneurs and their businesses.

**TABLE 1**

**Demographic Features of the Surveyed Ugandan Entrepreneurs and Their Businesses**

a. Types of Respondents' Businesses			b. Period in Existence		
<u>Types</u>	<u>No.</u>	<u>%</u>	<u>Years</u>	<u>No.</u>	<u>%</u>
Retail	64	31	Under 3	45	22
Wholesale	20	10	Over 3 to 5	37	18
Wholesale and Retail	25	12	Over 5 to 7	40	19
Construction	13	6	Over 7 to 9	24	12
Manufacturing	40	19	Over 9 to 11	22	11
Transportation	8	4	Over 11 to 16	23	11
Others	<u>38</u>	<u>18</u>	Over 16 to 21	6	3
			Over 21	9	4
			Not Given	<u>2</u>	<u>1</u>
Total	208	100	Total	208	101*

  

c. Age of Sample Entrepreneurs			d. Education of Sample		
<u>Years</u>	<u>No.</u>	<u>%</u>	<u>Level</u>	<u>No.</u>	<u>%</u>
Under 30	35	17	P7 (7 yrs.)	13	6
30-40	68	33	S2 (9 yrs.)	12	6
40-50	51	25	S4 (11 yrs.)	72	35
50-60	29	14	S6 (13 yrs.)	43	21
Over 60	7	3	Some University	1	<1
Not Given	18	9	University Degree	48	23
			Not Given**	19	9
Total	208	101	Total	208	100

\* May not be equal to 100 due to rounding in this and other tables.

\*\* Probably 0 to 6 years of education.

## FINDINGS

### What Kind of People Go Into Business and Why?

It is assumed that unless we know the motives of those people who venture into small business, it will be difficult to promote entrepreneurship (Carland, Hoy and Carland, 1988). Several questions on the questionnaire solicited reasons why the respondents were operating their own businesses. All questions were open-ended because there can be a large number of reasons why people go into business for themselves (Cooper, 1990). The responses had to be content-analyzed for categorization.

As can be seen in Table 2a, a substantial majority (59%) of the Uganda entrepreneurs who were surveyed were in business for making a living more than for anything else. This message was expressed clearly, although in a variety of ways. Some of the responses on these lines were: "to make money," "to earn money," "to supplement my office income," "that's only where I can get enough income for my development," "there is good money in business," "to earn a living," and "to become wealthy."

Fourteen of the 208 respondents (7%) indicated to be their own boss (independent) as the reason why they were in business for themselves. This was a significantly smaller percentage than is commonly found by researchers in other places (Shapiro, 1985). It could be a reflection of Uganda's current circumstances as we point out later. However, those who put down "to be my own boss" as the reason why they were in business for themselves expressed this idea in the following ways, among others: "because I want to be independent," "self-reliant," and "I don't want to be an employee of anybody."

**TABLE 2**

The Motivation of Uganda Entrepreneurs

a. Why are You in Business for Yourself?			b. Why Don't You Work for Government or Somebody Else?		
Reasons	No.	%	<u>Reasons</u>	<u>No.</u>	<u>%</u>
Independence	14	7	No Freedom	32	15
Make a Living	123	59	Low Pay	44	21
Others	60	29	Others	107	51
No Answer	11	5	No Answer	25	12
<b>Total</b>	<b>208</b>	<b>100</b>	<b>Total</b>	<b>208</b>	<b>99</b>

Sixty (29%) of the respondents gave a large assortment of reasons why they were in business for themselves which could not be categorized into any broad, concrete ideas. The following are a sampling of such reasons: "to exploit my skill," "to save my family's face," "to serve

humanity," "love of architecture," "I didn't go to school," and "because my father was in business."

In another question where respondents were asked why they did not work for government or someone else, monetary concerns (pay was too low) were cited 21% of the time, while lack of freedom was cited 15% of the time. But there were 107 (51%) responses that were so varied that they could not be categorized clearly. And 25 (12%) did not respond to this question. It appears that there are many more reasons why Uganda entrepreneurs aren't working for government or someone else than why they are in business for themselves. However, monetary concerns seemed to be more dominant than self-control concerns.

Interestingly, the common belief that autonomy, freedom, and independence are available more for the entrepreneur than for the employee was very widely held. When asked about the ways in which owning one's business was better than working for someone else (see Table 3a), an entire 61% (127 respondents) cited independence. Better pay was cited by only 20%, less than half of the number that cited independence. This might mean that Uganda entrepreneurs are more sure about the self-control in the entrepreneurial sector than about its superior pay. Nevertheless, it is financial rewards (making a living) that get emphasized when Uganda entrepreneurs are asked why they are working for themselves. It is as if they are saying that while independence is available more in the self-employment arena than in being employed by someone else, making a living (economic survival) is more important and for now, at least, given Uganda's circumstances, self-employment provides a firmer assurance for survival.

**TABLE 3**

Why Uganda Entrepreneurs Remain Entrepreneurs

a. In Which Ways is Owning a Business Better Than Being an Employee?			b. Would You Consider a Job Which Pays the Same as Your Current Business?		
Reasons	No.	%		No.	%
Independence	127	61	Yes	48	23
Better Pay	42	20	No	145	70
Others	37	18	No Answer	15	7
No Answer	2	1			
Total	208	100	Total	208	100

What will happen if Uganda's circumstances (economic and political) continue to improve, if government and corporate jobs become plentiful? How will entrepreneurship be affected? To explore this area respondents were asked, "Would you consider a job which

pays the same as your current business?" As shown in Table 3b, only 48 (23%) respondents would consider a job of similar monetary rewards as their current business. An entire 70% (145 respondents) would not consider such a job. The reluctance to consider a job may have to do with the extras entrepreneurship gives besides income. As we just stated, one such extra well known to the Uganda entrepreneur is independence of action. They may even feel, correctly or incorrectly, that entrepreneurship offers more job security. Probably a secure government or corporate job in current Uganda is something that is extremely unimaginable.

Probably Uganda's current entrepreneurs will not and cannot be expected to abandon their businesses and seek jobs even when they exist and their remuneration is reasonable. But what about tomorrow's would-be entrepreneur? If monetary rewards continue to be emphasized (and there is no reason to feel that this will be the case), then jobs which pay well will lure would-be entrepreneurs away from entrepreneurship. However, tomorrow's would-be entrepreneurs are today's children, especially the children of Uganda's current entrepreneurs. The involvement of children in the family business has a lot to do with whether the children take up entrepreneurship when they grow up. In another section we present the findings related to family involvement.

### Risk Taking

Going into business for oneself is always a risky decision because one can never totally eliminate the possibility of failure. Several questions on the questionnaire centered around failure. Table 4 summarizes respondents' opinions about failure. Although only 53 (26%) respondents had ever experienced own business failure (Table 4a), a much larger number of them, 157 (76%), knew somebody whose business had failed in the past (Table 4b). So, business failure is not exactly a strange, vague idea, but a real possibility for those who venture out on their own in the business world in Uganda and anywhere.

TABLE 4

Awareness of Risk of Failure

a. Have You Ever Had a Business Which Failed?		b. Do You Know Anybody Whose Business Failed?			
	No.	%			
Yes	53	26	Yes	157	76
No	145	70	No	36	17
No Answer	10	5	No Answer	15	7
Total	208	101	Total	208	100

Respondents were, therefore, asked what they would do if their businesses failed. As seen in Table 5a "try again" was the response of the majority (51%). This is consistent with

the findings we have already stated. Only 38 (18%) respondents indicated that they would look for jobs if their businesses failed. The bias for trying again after a business failure was revealed again in responses to two other more focused questions. The question, "If your business failed, would you look for a job?" resulted in more negative responses (47%) than positive responses (41%). On the other hand, the question, "If your business failed, would you try again?" resulted in an overwhelming affirmation (78%), with only 12% answering negatively (Table 5b and c).

**TABLE 5**

Response to Risk of Failure

a. What Would You Do If Your Business Failed?					
	<u>No.</u>		<u>%</u>		
Look for Job	38		18		
Try Again	105		51		
Cultivate (peasant farming)	22		11		
Other Possibilities	24		12		
No Answer	19		9		
	Total		208		101

  

b. If Your Business Failed, Would You Look for a Job?			c. If Your Business Failed, Would You Try Again?		
	<u>No.</u>	<u>%</u>		<u>No.</u>	<u>%</u>
Yes	85	41	Yes	163	78
No	98	47	No	25	12
No Answer	25	12	No Answer	20	10
	Total	208	100	Total	208
					100

Cross tabulations showed that those who had ever failed were much more (71%) prepared to try again than those who had never failed (50%). It was also found, through cross tabulations, that 80% of those who would prefer to look for jobs if their businesses failed were still open to trying another business again. On the other hand, only 34% of those who would prefer trying again if their current businesses failed were still open to looking for a job. These findings are very consistent with those of other researchers. Albert Shapero, for example, basing himself on many studies on entrepreneurs in many countries, developed and underdeveloped, states: "When entrepreneurs are asked what they would do if they lost their companies, they almost always answer, 'Start another company'" (Shapero, 1985).

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## Family Involvement

"Entrepreneurs beget entrepreneurs" is probably as good a saying as anyone can find in social phenomena. That entrepreneurs tend to come from families with entrepreneurial parents has been validated in study after study (Hisrich, 1989). In this study, several respondents gave "growing up around a family business" as the reason why they are in business for themselves. Growing up around a family business implies that family members involve themselves in the affairs of the family business. This is how a family business promotes entrepreneurship.

Several questions on the questionnaire solicited information about the involvement of family members in the family business. Table 6 shows the responses to the questions. As can be seen in Table 6a, 104 (50%) of the surveyed entrepreneurs came from families with entrepreneurial parents. If we include respondents who had other relatives (other than parents) who owned businesses, then the number of respondents with entrepreneurial family backgrounds rises to 123 (59%). The number of respondents with entrepreneurial backgrounds is very high given the very low percentage of people who own businesses in the total population of Uganda. Such a number can only be explained by the tendency of entrepreneurs begetting entrepreneurs.

Twenty-four of the surveyed entrepreneurs got their businesses from their parents (Table 6b). Another 16 respondents got their businesses from other relatives (Table 7b). Thus, 40 (19%) respondents got their businesses from parents and other relatives. They are still operating the businesses. These numbers are much higher than they would be in the United States where many parents sell their businesses when they retire and where offsprings who inherit businesses mostly prefer to sell them. All this is possible in the United States because there is an active market for existing small businesses. There does not appear to be a market for existing small businesses in Uganda. None of the respondents had bought his/her business from anybody. If indeed there is no market for existing businesses in Uganda, and it needs to be investigated, it is not a good sign for the advancement of entrepreneurship. For one thing, the "buying existing business" route to entrepreneurship remains unavailable. In the U.S., 28% of business owners bought their businesses (Cooper, 1986). Second, a parent who doesn't want to give/gift his/her business to a relative will probably still have to, unless the option of abandoning the business is considered preferable. Moreover, realizing his/her dilemma, he/she may turn the business into a cash cow to be milked until abandoned.

**TABLE 6**

Family Involvement in Parents' Business

a. Was Your Father or Mother Engaged in Business?			b. Did You Get Your Business From Your Parent(s)?		
	<u>No.</u>	<u>%</u>		<u>No.</u>	<u>%</u>
Yes	104	50	Yes	24	12
No	96	46	No	150	72
No Answer	8	4	No Answer	34	16
Total	208	100	Total	208	100

  

c. Did You Work in Your Parents' Business?		
	<u>No.</u>	<u>%</u>
Yes	59	28
No	72	35
No Answer	77	37
Total	208	100

**TABLE 7**

Family Involvement in Other Relatives' Business

a. Did Your Other Relatives (not parents) Own a Business?			b. Did You Get Your Business From Other Relatives?		
	<u>No.</u>	<u>%</u>		<u>No.</u>	<u>%</u>
Yes	156	75	Yes	16	8
No	44	22	No	141	68
No Answer	8	4	No Answer	51	25
Total	208	101	Total	208	101

  

c. Did You Work in Other Relatives' Business?		
	<u>No.</u>	<u>%</u>
Yes	40	19
No	123	59
No Answer	45	22
Total	208	100

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Working in the family business is a major way to prepare oneself to take over the family business or to get into some other kind of business (Gundry, 1993). As can be seen from Table 6c, 59 respondents (28%) worked in their parents' businesses. Another 40 respondents (19%) worked in other relatives' businesses (Table 7c). Cross tabulations showed that respondents who had worked in their parents' businesses were not only likely to go into business themselves, but were also more likely to go into similar lines of business as their parents. Twenty-nine percent (29%) of the 104 respondents whose parents had businesses went into the same lines of business as their parents. However, if the respondents had worked in their parents' businesses, the number of the respondents who went into similar lines of business as their parents rose to 46%.

## SUMMARY AND CONCLUSIONS

When asked why they are in business for themselves and why they are not working for government or somebody else, most Uganda small business owners emphasized "making a living." They are better able to make a living as entrepreneurs than as employees. While making a decent living is an important goal for entrepreneurs all over the world, independence of action accorded by being one's own boss has been routinely found to be the leading motivation for most entrepreneurs. The Uganda entrepreneurs' emphasis on monetary concerns may be merely a reflection of Uganda's current economic situation. After 20 years of civil wars, paid employment is not only scarce, but it also doesn't pay enough to just survive. An unascertainable number of the surveyed entrepreneurs were also doubling as government civil servants. Entrepreneurship was intended to supplement their low paying jobs.

Probably the vast majority of Uganda small business owners are not in business to become millionaires (very wealthy), but just to make a living. However, while making a living as entrepreneurs, they also like the independence owning a business allows them. The vast majority of the surveyed Uganda entrepreneurs are very much aware that employees do not generally have this kind of independence. Indeed, when asked whether they would exchange their businesses for jobs that pay similarly as their businesses, the vast majority of them answered with a resounding no.

As elsewhere, small businesses in Uganda fail in vast numbers. Twenty-six percent (26%) of the surveyed entrepreneurs had ever experienced a failed business. And 76% knew of a person whose business had failed. However, as true entrepreneurs, they aren't daunted by this great potential for failure. If their businesses failed, the majority of the surveyed entrepreneurs will more readily try another business than seek jobs.

One hundred and four (50%) of the 208 surveyed Uganda small business owners came from families where parents owned businesses. The tendency that entrepreneurs come from entrepreneurial family backgrounds is, therefore, valid for Uganda too. Twenty-four (23%) of the 104 business owners whose parents had businesses actually got their businesses from their parents. This relatively high percentage reflects two possibilities. First, it may reflect parents who encourage their children to be involved in the family business, thus, making the children learn the "ropes." Second, it may also reflect parents who pass their

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businesses to their children partly because they cannot sell the businesses and children who run the businesses they inherit partly because they cannot sell those businesses. The first possibility mentioned above is an unqualified positive sign for the future of entrepreneurship in Uganda. The second possibility is potentially adverse to entrepreneurship. Without selling businesses, potential entrepreneurs cannot buy them. Buying existing businesses is one of the popular routes people take to become entrepreneurs. Without selling and buying businesses, some people may never become entrepreneurs. Also, without the possibility of selling your business, it may not be attractive enough to make long-term investments in that business since you may never be around to recoup the financial outlays.

A worthwhile research topic on Uganda entrepreneurship is to assess the existence of the market for small businesses. If indeed no market exists, what are the reasons for this? It may turn out that many of these reasons have to do with culture. Accordingly, Uganda's model of entrepreneurship and its development may contain unique features, not selling family businesses being one of them.

In passing, the limitations of this study should be pointed out. The sample used in the study was biased in two major ways. First, it was biased towards business owners who were prepared to be open to a nosy outsider, even though his assistants were always local people. There is no way of telling whether the business owners who volunteered to complete the questionnaire were those who ran their businesses more efficiently and/or those who considered it to be politically safe to be open. In many areas access to business owners was through the RCs (Resistance Councils), a pseudo local government system. Some RCs were adamantly against the study, others reluctantly agreed to it, and still others gave it their support. Another bias in the study is that it concentrates on urban areas and even here, on only two urban centers--Kampala and Masaka. It is inevitable that the picture painted in this paper about Uganda entrepreneurship is far brighter than what it could possibly be for the entire country. For example, the long list of obstacles to entrepreneurship in Uganda, which Salvatore Olwoc, the Uganda small business researcher and consultant, listed in his book "How to Start a Small Business in Uganda" (Olwoc, circa 1988), does not squarely and entirely apply to entrepreneurship in Kampala and possibly Masaka.

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