

ENTREPRENEURSHIP ENVIRONMENT

Entrepreneurship environment refers to a combination of external factors and their organic integration which make an impact on business startup process by the entrepreneurs.

CHARACTERISTICS OF ENTREPRENEURIAL ENVIRONMENT

- ✓ **Resource scarcity/limited resources.** These resources are inputs of production including land, labour, and capital are in inadequate supply which affects the ability of new firms to enter the environment. Entrepreneurs take this as an opportunity to exploit other resources include technology and know-how, financing, social capital and human skills
- ✓ **Opportunity orientation.** This is the ability to recognize and analyze market opportunities. Entrepreneurial environment is full of opportunities that entrepreneurs take advantage of, if well searched. They are always looking ahead and less concerned about what they achieved yesterday, they search for and create many opportunities all the time
- ✓ **Uncertainty,** entrepreneurship environment is full of unexpected and unknown risks. The environment is dynamic and changes rapidly thus individuals need to demonstrate an ability to accommodate uncertain situations. This allows them to act without having full information and clarity about the situation
- ✓ **Flexibility,** it is fluid in nature and presents various opportunities which may not remain open for long. This calls for constant improvisation to cope up with challenges in an ever changing entrepreneurial environment

COMPONENTS OF ENTREPRENEURIAL ENVIRONMENT

Economic environment. This refers to the nature of economic systems of a particular society that directly affect the level of entrepreneurial development.

Social- cultural environment. This looks at the entrepreneurial environment in terms of social and cultural values, attitudes and practices of a given society. For example values attached to innovation, risk taking, hardworking, independence etc which encourage entrepreneurship

Political environment. This includes laws, government agencies and lobbying groups that influence or restrict individuals in society

Global environment. This involves the greater movement of people, goods, capital and ideas due to increased economic integration which in turn increases trade and investment.

Globalization is the reduction of transaction cost of trans-border movement of capital and goods or factors of production

Demographic environment. This deals with variables such as family, population size and growth rate, gender, marital status, age, education level, social economic status, previous work experience and work habits

Types of entrepreneurial environment

Economic environment

This refers to the nature of economic systems a particular society that directly affects the level of entrepreneurial development. These include factors like

Economic policy. This defines the market system established by the government, market structure and the extent to which all firms compete under fair games and rules. An open free market where the economic activities are influenced by forces of demand and supply allows entrepreneurship to flourish, since it has more rewards for innovators while a restrictive market economy which only give chance to the government to control resource allocation, limit entrepreneurship.

Administrative issues. Relaxed procedures for registering, licensing, and settling tax obligation for the businesses encourage entrepreneurial growth and development while tight and excessive number of rules and procedures hinder entrepreneurial activities.

Level of infrastructures. Availability of infrastructures like roads, good communication networks, power encourages entrepreneurship development while under developed infrastructural facilities discourage entrepreneurship.

Legal requirements. Clear and effective legal requirements which protects the interests of the business encourages entrepreneurial growth while laws which does not protect entrepreneurs discourage the development of entrepreneurship.

Resource availability. availability of resources like raw materials, land, labour, and capital encourages entrepreneurial growth and societies without such resources discourage entrepreneurial intensions.

Cost of the business. low costs for business operation like low transport costs, low inflation, low interest rates and low insurance costs promotes entrepreneurial development on the other side high costs discourage entrepreneurial development.

Economic incentives. presence of economic incentives like tax exemptions, tax holidays, subsidization, promotes entrepreneurial intentions and development while unfavorable economic incentives discourage entrepreneurship development.

The level of development of financial systems. A well-developed financial system like banks and non-bank intermediaries, security markets, financial instruments like treasury bills, credit cards, bill of exchange, cheques etc facilitates entrepreneurial intensions while under developed financial systems discourages entrepreneurial development.

Economic factors promoting / facilitating entrepreneurial attitudes and opportunities

- ✓ Favourable economic policy ie an open market system that leaves the forces of demand and supply to control the distribution of resources
- ✓ Favourable administrative issues ie minimum procedural requirements
- ✓ Existence of good infrastructure and utilities such as good roads, power and communication facilities that encourage entrepreneurship

- ✓ Well-developed financial systems ie existence banks and non – financial intermediaries, securities markets that aid business transactions and entrepreneurial development
- ✓ Conducive legal requirements that institute ownership rights and guarantee protectionism to local entrepreneurs
- ✓ Existence of economic incentives in terms of tax holidays, industrial parks, incubation centres etc
- ✓ Existence of required resources ie land , labour and capital
- ✓ Low cost of business in terms of space , air transportation, ground transportation, overhead costs, inflation, interest rates, tax structure, insurance costs

Economic factors limiting / hindering entrepreneurial attitudes and opportunities

- ✓ Unfavourable economic policy ie a regulated / closed market system
- ✓ Unfavourable administrative issues ie excessive number of rules and procedures for registration and licensing etc
- ✓ Undeveloped financial systems ie absence of banks to extend credit hence limiting entrepreneurial development
- ✓ Undeveloped infrastructures ie roads , power and communication facilities that discourage entrepreneurship
- ✓ Scarcity of resources ie land , labour and capital
- ✓ High costs of business in terms of space, air transportation ground transportation, overhead costs, inflation rates, tax structure, insurance costs
- ✓ Absence of economic incentives in terms of tax holidays, industrial parks, incubation centres etc
- ✓ Unconducive legal requirements that cannot institute ownership rights and guarantee protectionism to local entrepreneurs

SOCIAL – CULTURAL ENVIRONMENT

This looks at the entrepreneurial environment in terms of social and cultural values, attitudes and practices of a given society. For example values attached to innovation, risk taking, hardworking, independence etc which encourage entrepreneurship.

The social cultural and global factors that influence entrepreneurial intentions and opportunity identification.

Culture. This refers to customary practices and beliefs that people uphold. A culture with a social system that values entrepreneurial intentions leads to high entrepreneurial activities while a cultural system where people fear taking risks, do not work hard and less persistent are not conducive to entrepreneurship.

Social financial support availability of capital creates favorable conditions to entrepreneurs and leads to development of entrepreneurship for example capital from personal savings and relatives. On the other hand, absence of social financial support hinders entrepreneurial intentions.

Social identification. In an environment where people are proud about entrepreneurship as a career and are appreciative with the business activities lead to entrepreneurship while people who are negatively biased about business block entrepreneurship success.

Availability of Role models, successful role models inspires same individuals to join entrepreneurial activities while absence of role models who can be emulated limit entrepreneurial intensions.

Religion some religion encourages or discourages consumption of some goods. This influences entrepreneurial growth and development like Islam and Christianity are conducive for entrepreneurship compared to other religions like Hinduism which do not encourage entrepreneurship.

Social – cultural factors promoting / facilitating entrepreneurial attitudes and opportunities

- ✓ Supportive business culture
- ✓ Presence of social financial support
- ✓ High degree of social identification
- ✓ Existence of role models
- ✓ Business oriented national religion

Social – cultural factors limiting / hindering entrepreneurial attitudes and opportunities

- ✓ Unsupportive business culture
- ✓ Absence of social financial support
- ✓ Low degree of social identification
- ✓ Absence of role models
- ✓ Unsupportive national religion towards business

SOCIAL RESPONSIBILITY OF A BUSINESS

Society expects assistance from business since business provides what customers need. Therefore business needs to exercise some responsibility towards society either to promote positive effects or to check negative effects.

Some of the specific responsibilities of a business towards the society include the following;

Production of goods and services: businesses can exercise social responsibility towards the society by producing goods and providing services so as to meet the needs of the people.

Disposal of waste products: some businesses use waste products and rubbish as their raw materials e.g. business which recycle rubbish to produce charcoal, those who use scraps to produce iron bars and other metal products like steel rolling mills in Jinja, clean the society's environment.

Assisting in the overall development of the locality: e.g providing employment opportunities and promotion of education

Payment of taxes: businesses pay different types of tax to the central and local government which the government uses to develop and provide society with social services like education, transport, security etc

Providing assistance to public and private education: e.g kakira sugar works and educational centers both primary and secondary

Providing assistance to charities, welfare facilities: e.g shell Uganda ltd constructed flyovers (Passovers) to reduce car accidents to pedestrians at Katwe, Nakawa, Kajansi etc

Taking appropriate steps to prevent environmental pollution and preserve ecological balance: this could be why century bottling company (coca-cola) moved to Namanve

Providing sufficient information to customers about the products offered: including their adverse effects, risks and cares to be taken while using the products.

Compensating people who have been displaced from their respective locations: e.g. bujagali where they want to construct a hydroelectric power plant

Provision of market for the society's products: e.g information relating to profitability, investment etc which information can be used for study purposes

Utilizing idle resources: businesses help to put to use resources that would otherwise be idle such as land, mineral deposits etc e.g BIDCO Uganda ltd growing palm oil trees in Ssesse Island

Helping in fulfilling objectives of economic policies: e.g. reducing unemployment problems hence increasing standards of living of the community

Provision of good working conditions to employees: this is through paying a fair wage to workers and ensuring favourable terms and conditions of work.

POLITICAL ENVIRONMENT

This includes laws, government agencies and lobbying groups that influence or restrict individuals in society or organisation

The political factors influencing entrepreneurship development

Political climate, a stable political climate encourages entrepreneurial activities to flourish. On the other hand Unfavourable potential environment limits the continuity and resource accumulation which are essential ingredients in today's competitive environment.

Government policy, favorable government policies through charging friendly taxes, giving subsidies etc stimulates entrepreneurial intentions. On the other hand Unfavourable policies like corruption, favoritism and weak enforcement mechanism discourages entrepreneurial developments.⁶

Legal environment, complex laws discourages entrepreneurial growth and development but less complex ones promotes entrepreneurial intentions.

Size of the government expenditure, a big percentage of governments' expenditure in health, education or defense encourages many entrepreneurs to emerge to respond to the opportunity unlike in sectors where there is low funding like agriculture.

Government institutions and departments. Weak and insensitive government departments which do not appreciate the work done by entrepreneurs, discourages entrepreneurial development. On the other hand, strong government departments encourages entrepreneurial development.

Political factors promoting / facilitating entrepreneurial attitudes and opportunities

- ✓ Political stability
- ✓ Government policy on subsidization
- ✓ High government expenditure
- ✓ Supportive government institutions and departments
- ✓ High number of political and religious refugees
- ✓ Favourable legal environment

Political factors limiting / hindering entrepreneurial attitudes and opportunities

- ✓ Political insecurity
- ✓ Government policy of taxation
- ✓ Unsupportive government institutions and departments
- ✓ Low government expenditure
- ✓ Low number of political and religious refugees
- ✓ Unfavourable legal environment

DEMOGRAPHIC ENVIRONMENT

Is the dimension of the entrepreneurial environment that deals with variables such as family, population size, growth rate, gender etc.

The following are the demographic factors influencing entrepreneurial intentions.

Population size and growth rate, increase in population size encourages entrepreneurial activities to flourish as demand for goods and services drastically increase while low population growth rate discourages entrepreneurial development.

Level of education and experience, a higher level of education increases entrepreneurial alertness regarding opportunities as well as opportunities to exploit these opportunities. On the other hand low levels of education lowers chances of entrepreneurial development.

Income levels, lower income earners always seek for opportunities as a remedy to meet their increasing needs thus more entrepreneurial compared to those with higher incomes who see no interest in toiling with business.

Age structure, young people always exploit entrepreneurial opportunities at high rate compared to the old ones. This is because they have less responsibilities and more ambitious to exploit available new opportunities.

Gender differences. Men tend to have a higher level of entrepreneurial interest than female thus higher male population leads to development of entrepreneurship while higher female population lead to low development of entrepreneurship due to the less risk behaviour.

Family. A family with role models, small size and with inherited assets lead to entrepreneurship growth than where such lacks

Demographic factors promoting / facilitating entrepreneurial attitude and opportunities

- ✓ High population size and growth
- ✓ High level of education and experience
- ✓ High income levels
- ✓ Youth age structure
- ✓ Big family size
- ✓ Business orientated family background
- ✓ Existence of family succession / inheritance
- ✓ Increasing role and responsibilities of family
- ✓ Increasing number of men in business

Demographic factors limiting / hindering entrepreneurial attitude and opportunities

- ✓ Low population size and growth
- ✓ Low level of education and experience
- ✓ Low income levels
- ✓ Old age structure
- ✓ Small family size
- ✓ Unsupportive family background
- ✓ Absence of family succession / inheritance
- ✓ Declining role and responsibilities of family
- ✓ Declining number of men in business as compared to that of women

GLOBAL ENVIRONMENT

This involves the greater movement of people, goods, capital and ideas due to increased economic integration which in turn increases trade and investment

Globalization is the reduction of transaction cost of trans- border movement of capital and goods or factors of production

Global finance. This presents opportunities in the areas of international payment systems, currency exchange rates, and international finance bodies like IMF, World Bank etc. Conducive global finance favours global entrepreneurial development.

Global trade. This increases trade across national boundaries and provides opportunities to different individuals and industries such opportunities include access to international markets without threats of protection/ barriers.

Government global policy. Favourable global government policy like liberalization of the economy encourages entrepreneurial development.

Democracy. Freedom of individual initiative, freedom of thought, speech and action support innovation and creative recognition of opportunities.

Market openness. A wide and above average international market opening encourage entrepreneurial development like the accessibility of Uganda's products on the world market.

Export policy. Favorable export policies expand market for entrepreneurship especially liberal policies. This encourages the development of entrepreneurs.

Import policy. A conducive import policy help entrepreneurs to get resources that are not locally available at a reduced cost. This encourages entrepreneurship development in a country.

Global factors promoting / facilitating entrepreneurial attitude and opportunities

- ✓ Existence of global finance
- ✓ Presence of global trade
- ✓ Favourable global policy
- ✓ Good democracy
- ✓ Open international markets
- ✓ Favourable export policy
- ✓ Favourable import policy

Global factors limiting entrepreneurial attitude and opportunities

- ✓ Absence of global finance
- ✓ Absence of global trade
- ✓ Unfavourable government global policy
- ✓ Absence of democracy
- ✓ Restrictive international markets
- ✓ Restrictive export policy
- ✓ Restrictive import policy

ORGANISATIONS THAT SUPPORT ENTREPRENEURS IN UGANDA

There are specific programs and initiatives that are designed to provide a range of support to entrepreneurs of all types when and how they need it, including service providers like chamber and small business development centres

Business supporting organizations include

- Uganda manufacturers association (UMA)
- International labour organization (ILO)
- National Agricultural advisory services (NAADS)
- Support of private enterprise expansion development (SPEED)
- Uganda Investment Authority (UIA)
- Business Uganda Development Scheme and Enterprise Development Support
- Commercial banks

- Uganda National Chamber of Commerce for trade and industrialists
- Kampala City Traders Association (KACITA) this serves traders operating within Kampala city like importers, manufacturers and service providers.
- Uganda small scale industries Association (USSIA). This serves small and micro industries.
- Non-Government Organisations (NGOs) for different types of business support services and information for micro and small enterprise.
- District private sector development and promotional centres for all types of business information and support services.
- Uganda Women Entrepreneurs Association Limited (UWEAL). This mainly serves women entrepreneurs managing or owning commercial enterprises.
- Uganda revenue authority (URA)
- Insurance companies

Objectives of business associations.

- ✓ To secure or access local and foreign markets for their members' produce.
- ✓ To source or access raw materials for their members' businesses.
- ✓ To access better production technology for their businesses.
- ✓ To access and provide training facilities and programmes for their members.
- ✓ To support individual members in time of need.
- ✓ To access financial and technical support from banks and other business support institutions and government.
- ✓ To develop and disseminate improved and better production and management systems among members.
- ✓ To advocate on behalf of their members to the government for a better environment that is conducive for business operation like investment incentives, favourable tax policies, monetary and general economic policies, political stability and social order.

ROLES OF SUPPORTING ORGANIZATIONS TO ENTREPRENEURSHIP

Business support organisations perform a number of functions to their members and these among others include

- ✓ Providing information on market opportunities and trends
- ✓ Offering advisory services for example NADDS
- ✓ Provision of insurance cover by insurance companies
- ✓ Identification and provision of investment opportunities ie Uganda Investment Authority
- ✓ Provision of entrepreneurship education and training youth entrepreneurs ie Youth Enterprise Schemes, Enterprise Uganda
- ✓ Identifying markets both local and foreign ie Uganda National Chambers of Commerce for trade and Industry.
- ✓ Provision of transport services e.g
- ✓ Provision of saving and credit services e.g BRAC.
- ✓ Monitoring and evaluation of business activities ie UMA and Enterprise Uganda.
- ✓ Providing sales promotion services through trade fairs e.g UMA.
- ✓ Providing advice on tax matters e.g URA.
- ✓ Providing advice on quality standards ie UNBS.
- ✓ Negotiating and securing local or foreign markets for members' produce.

- ✓ Sourcing or accessing raw materials for their businesses.
- ✓ Identifying appropriate and better production technology for their businesses.
- ✓ Developing and providing training programmes for members' staff.
- ✓ Providing material and moral support to members.
- ✓ Promoting the export of produce and locally produced goods.
- ✓ Negotiating and securing financial and technical support services from financial institutions, business support institutions and government.
- ✓ Developing better production technologies and management systems for members.
- ✓ Carrying out advocacy campaigns on behalf of members with the government for better investment incentives, tax policies, monetary and general economic policies that are conducive for their operations.

Sample questions

1. (a) Define the term entrepreneurial environment and describe the components / types of entrepreneurial environment.
(b) Explain the characteristics of entrepreneurial environment.
2. (a) Explain the economic factors that influence entrepreneurial attitudes and opportunity identification.
(b) Explain the social-cultural factors affecting entrepreneurship attitudes and opportunities.
3. (a) Discuss the political factors that determine entrepreneurial intentions and opportunities identification.
(b) Explain the factors in the global environment that promote entrepreneurial intentions.