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Author

Mwasalwiba, Ernest, Dahles, Heidi, Wakkee, Ingrid

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Graduate Entrepreneurship in Tanzania: Contextual Enablers and Hindrances

Ernest Mwasalwiba

*Department of Organization Sciences, VU University Amsterdam
De Boelelaan 1081, 1081 HV Amsterdam, The Netherlands*

E-mail: h.dahles@vu.nl

Tel: +31-20-5986734/40; Fax. +31-20-5986765

Heidi Dahles

*Department of Organization Sciences, VU University Amsterdam
De Boelelaan 1081, 1081 HV Amsterdam, The Netherlands*

E-mail: e.s.mwasalwiba@vu.nl

Ingrid Wakkee

*Department of Organization Sciences, VU University Amsterdam
De Boelelaan 1081, 1081 HV Amsterdam, The Netherlands*

E-mail: a.m.wakkee@vu.nl

Abstract

In Tanzania, despite efforts in teaching entrepreneurship at universities, recent tracer-studies have reported falling rates of graduate self-employment. Among the factors that contribute to this decline, the Tanzanian entrepreneurial environment plays an ambivalent role. Based on the concept of entrepreneurial embeddedness, the personal stories of ten Tanzanian graduate entrepreneurs are content-analyzed. The results suggest that embeddedness in the social environment is not of a singular but of a mixed nature. Tanzanian graduate entrepreneurs operate in a developing environment characterized by complex, partly converging and partly conflicting contextual forces, which simultaneously advance and impede entrepreneurial activities. On the one hand, the changed political climate, strong family ties, emerging links with countries like China, and improved banking and taxation systems are among the factors conducive to graduate entrepreneurship in Tanzania. On the other hand, however, the lack of start-up capital, inhibitive banking and taxation, issues of trust, poor technology, corruption, and cheap imports from countries such as China discourage graduate entrepreneurs' business ventures. While current national policies emphasize graduate entrepreneurship, there is a failure to implement these policies at lower government level. Amidst inflexible higher learning institutions, educators are challenged to innovate ways in which entrepreneurship courses will address issues that entrepreneurs face in Tanzania.

Keywords: Graduate entrepreneurs, entrepreneurship education, embeddedness, Tanzania

1. Introduction

Entrepreneurship is a result of both the individual's entrepreneurial zest and a societal context conducive to entrepreneurial activities (Bull and Willard, 1993; Jack and Anderson, 2002; Shane, 2003). Some authors capture this relationship in a *seed-soil* metaphor, implying that the emergence and growth of entrepreneurs (seed) is said to be dependent on the conduciveness of the breeding context (soil) (Martinelli, 2004; Tillmar, 2006). Current scholarly debates on how entrepreneurship is generated seem to be settling for the idea that entrepreneurial behavior can be developed through educational interventions (Kuratko, 2005). However, it is also observed that graduates from such educational interventions cannot succeed unless they are positioned in contexts that are conducive to entrepreneurship (Cuervo, 2005; Karimi et al, 2010). Martinelli (2004) argues that the social and institutional contexts in which entrepreneurs are embedded help to shape the individual's attitudes and motives, determine the availability of resources, present both the constraints and opportunities, and set the level of legitimacy of entrepreneurship in society. The entrepreneur-context relationship, therefore, sets the tone for the currently advocated approach in which governmental efforts in creating entrepreneurial graduates should coincide with reforms in institutions that affect entrepreneurship (cf. Kshetri, 2011; Ronstadt, 1990; World Bank Report, 2002). As indicated by Ronstadt (1990), graduate entrepreneurs enhance a country's competitiveness, economic growth and development. Despite massive policy and educational efforts in boosting graduate entrepreneurship, there are world-wide concerns that the rates of graduates entering into entrepreneurial ventures do not reflect the level of investment endowed (Al-Samarrai and Bennell, 2003; Mukyanuzi, 2003; Nabi and Holden, 2008).

Turning to developing countries, Cuervo (2005) argues that in order to understand the emergence of entrepreneurial activities, one has to conduct an analysis of both the characteristics of individual entrepreneurs and environmental characteristics in terms of the availability of resources and competition, as well as the conditions of the institutions that govern economic activity. From this three-tiered angle – the individual, the contextual and the institutional – the current paper explores entrepreneurship education in Tanzania, where boosting graduate entrepreneurship is a national development agenda (cf. URT, 1999a). Entrepreneurial courses have been increasingly integrated and taught in almost all fields of specializations both at university and other levels of education. However, tracer studies, especially those of Al-Samarrai and Bennell (2003) and Mukyanuzi (2003) indicate that self-employment among recent cohorts of university graduates have been falling. The aim of this article is to explore the experiences of Tanzanian graduate entrepreneurs and the ways in which they make sense of the developing environment in which they operate. Their perspectives may shed light on why the rate of graduate entrepreneurs has declined in recent years. In particular, this article raises the question of which opportunities and obstacles graduate entrepreneurs in Tanzania experience when aspiring to a career in business, particularly in terms of the social and institutional environment in which they are embedded (cf. Karimi et al, 2010). In order to address this issue, this study assesses the contextual variables that shape graduate entrepreneurship in Tanzania from the graduates' point of view. This study adopts a contextual approach that is defined by a society in transition, i.e. a post-colonial and post-socialist country.

This paper is structured as follows. The next section addresses conceptual issues regarding the embeddedness of entrepreneurship in economic and social contexts. Before this conceptual discussion is applied to the Tanzanian context, the methodology applied to generate the empirical data underlying this article is described, followed by a brief outline of the Tanzanian economic and social context. Next, the empirical findings are first presented and then discussed and interpreted against the background of the conceptual framework. The paper ends with a number of policy implications.

2. Conceptual Issues: Entrepreneurship and Embeddedness

Drawing on the seminal work by Schumpeter (1934), entrepreneurship is widely viewed as a crucial mechanism for economic development offering employment, innovation and welfare by means of hard work, creativity and risk taking (Acs, Desai and Hessels, 2008; Kirchoff, 1997; Wennekers and

Thurik, 1999). For Shane (2003) risk-taking behavior, driven by the expectation of making profit and the perception of good business opportunities, is one of the important attributes of entrepreneurs in overcoming the uncertainty of the market (Shane and Venkataraman, 2000). In addition, Shane (2003) shows that, for recognizing entrepreneurial opportunities, entrepreneurs require entrepreneurial skills. These skills encompass the competence and knowledge to act upon business opportunities, to be able to evaluate an opportunity and to turn it into enduring value (Shane, 2003). While some authors maintain that these skills are innate behavior that some individuals possess “naturally” (Rauch and Frese, 2007), others maintain that entrepreneurial skills can be obtained through education and training (Kuratko, 2005; Ronstadt, 1990). The impact of education, in particular higher education, on entrepreneurial motivation and skills is of particular importance. As Shane *et al.* (2003: 258) argue entrepreneurial behavior is based on both motivational and cognitive factors on the one hand, and on external factors on the other. External factors include entrepreneurial opportunities and environmental conditions (such as the status of the economy or socio-cultural and political conditions both conducive and constraining to entrepreneurship) and the availability of venture capital.

Although economists acknowledge the role of “external factors” affecting entrepreneurial activity, Granovetter (1985) points out that the conventional (economic) approach to entrepreneurship used to be rather under-socialized. In economic analysis, entrepreneurial activities are viewed solely in terms of profit making and entrepreneurs are defined as “persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige” (Baumol, 1990: 987). Following the definition by Baumol, entrepreneurship may be channeled into activities that are not necessarily productive, as rent-seeking or crime can also add to personal wealth but affect society negatively (Baumol 1990: 894-5; Naudé, 2007: 3-4). In such cases one may question whether entrepreneurship is an appropriate instrument for development beyond individual wealth accumulation. However, elaborating on the seminar work by Granovetter (1985), a number of authors argue that individual entrepreneurs as well as the opportunity structures within which they operate are social phenomena embedded in a wider social context (Kloosterman, 2010; Kloosterman and Rath, 2001). The significance of this argument for the developmental potential of entrepreneurship will be discussed in the next section.

Institutional scholars (cf. Zukin and DiMaggio, 1990) argue that embedded economic activities such as in business communities or business networks are useful institutional means for implementing co-operative strategies in any business system. However, entrepreneurs and their businesses are embedded in manifold ways. Acknowledging that changes in the economy creating or destroying opportunities for business start-ups or expansion are as relevant as the social embeddedness, Kloosterman and Rath (2001) developed a framework that addresses the “mixed embeddedness” of entrepreneurs and their enterprises. This framework pays equal attention to the entrepreneur or business owner who is embedded in social relations which provide access to capital, labour and opportunities as well as to economic and institutional embeddedness, including surrounding rules and regulations, and economic and political climates (Kloosterman, 2003, 2010). In the context of local business communities, “mixed embeddedness” appears at two separate but intertwined levels: first, at the level of “informal” institutions that are more or less within the control radius of the individual, such as family ties, personalized non-family connections, and patronage relationships. Second, at the level of “formal” institutions that operate beyond the control of individual entrepreneurs encompassing dominant economic, social, and political forces at work in the larger society. These forces are defined by market dynamics, demographic developments, technological innovation, government policies, geopolitical relations and institutional legacies from the past (Scott, 1998; Storper, 1997).

At the level of embeddedness in “informal” institutions, membership in a number of partly overlapping networks enables entrepreneurs to accumulate social capital that may strategically be invested to advance business interests. Overall, such overlapping networks constitute a multilayered business community that comprises of both strong and weak ties (Granovetter, 1973; 1983). The strong ties of community constituted by family, neighborhood and church affiliation traditionally play an important role in many transitional economies, reflecting the economic and political insecurity and the

lack of public services available to local people under post-socialist and post-conflict conditions. Strong ties, however, may come with particular constraints for local entrepreneurs. As Portes and Sensenbrenner (1993: 9) point out, strong ties may imply a “bounded solidarity” that exerts leveling pressures on successful individuals to redistribute wealth (within their immediate community) instead of reinvesting it in economic ventures. In that case, social capital diminishes the incentive for entrepreneurial behavior. Conversely, weak ties – single-stranded relationships with acquaintances (Granovetter, 1983) such as (former) classmates, college friends, co-workers and business relations – may figure as a significant support system among local entrepreneurs. For our purposes, the role of educational institutions is of particular importance in establishing such weak ties that may prove valuable network relations for graduates in their subsequent career as entrepreneur and business owner. Both strong and weak ties are vehicles for establishing and maintaining trust within the overlapping networks. As the increasing body of knowledge on the role of trust in business networks illustrates, trust facilitates cooperative exchange, especially under conditions of uncertainty and information asymmetry in weak institutional settings (Venkataraman, 1997: 127-128).

At the level of embeddedness in “formal” institutions, a number of dimensions have to be distinguished such as social-demographic (e.g. age-cohorts, life-course change), economic-technological (access to innovative technologies, connectedness to internet, social media, etc.), political (level of state intervention in the private sector) and cultural (value systems impacting upon the acceptance and prestige of entrepreneurship) dimensions which are an integral part of the entrepreneurs’ life but which are beyond the individual’s power to actively influence their course and impacts. These dimensions represent the parameters within which entrepreneurs exploit and create opportunities and deal with setbacks and threats; in other words, these dimensions define the opportunity structure within which entrepreneurs operate. Currently, entrepreneurs all over the world, whether operating large corporate divisions or small local businesses, have to deal with the complexities of the global market of which they form an integral part (Dicken, 2007).

3. Methods of Data Collection and Analysis

This article is based on empirical research conducted among graduate entrepreneurs in Tanzania in 2009. Story-telling interviews were used as a strategy of data collection. As Atkinson (1998) explains, the story-telling approach is defined by an individual’s narrative account of important events, experiences, and feelings which may either focus on specific aspects of life or on a chronological account of life as a whole. Story-telling and narrative interviews have proven to be useful in enabling participants to easily express how they make sense of their environment, how they relate to others, and how all this affects their endeavors towards a goal (Atkinson, 1998; Johansson, 2004). During the interviews, entrepreneurs were given a specific starting point (cf. Rae and Carswell, 2000) by asking them to describe the type(s) of business(es) they run, and to provide a detailed historical account of and reflection on their career progression from university to full-time entrepreneurship, their perceptions of the developing Tanzanian entrepreneurial environment, and the ways in which they have adapted to this environment by creating and exploiting business opportunities. These stories were taped and transcribed. A conventional content analysis approach was adopted, where all transcripts were read and re-read so that to get an immersion and a sense of whole (cf. Burnard, 1991; Hsien and Shannon, 2005). In addition, the software program of NVivoTM 7 was used for the analysis of the transcripts.

Since experiences in entrepreneurial ventures rather than success rates of the educational programs form the unit of analysis in this investigation, the current analysis includes solely those informants who are currently practicing entrepreneurship, as these individuals are able to inform us both about facilitating and inhibiting factors and their strategies to cope with challenges. Ten (n = 10) graduate entrepreneurs participated in the study. A graduate entrepreneur, in this study, is a person with at least a university degree (or its equivalents) who, as a full-time occupation, has started and is running his/her own business. A snowballing approach has been applied to identify participants. Heckathorn (1997) advises the use of snowballing in situations where the sample size is unknown, a

scenario similar to this study due to the fact that universities in Tanzania do not maintain databases of graduates career destinations. Appendix 1 provides a summary profile of the interviewed graduate entrepreneurs.

The presentation of empirical data below revolves around the themes that the NVivo-based analysis identified as the most prominent ones in the stories told by the ten informants. The data presentation offers a summary at an aggregate level of the most important experiences of the informants and adds literal quotes from the interview transcripts which were significant and illustrative.

4. Economic and Social Dimensions of Embeddedness in Tanzania

Tanzania, with an average growth of above seven per cent in the past five years, is one of the best performing countries in East Africa. Yet, Tanzania remains one of the poorest countries in the world (Colijn, 2009) ranking number 151 out of 182 on the human development index (Loman, 2010). The estimated population is around 42.5 million inhabitants (51 percent female and 49 percent male) reaching a population density of 45 people per square kilometer. The distribution of the population shows that 74.5 percent of the people live in rural areas, equivalent to 25.5 percent in urban areas. The population growth rate is 2.9 percent per annum (resulting in a growth of 10 million people in the last 10 years) with an under 15 years old population of 44 percent. Family structures in Tanzania, like in most African countries, are based on strong family ties. Strong family ties are dependent on a member of the family (typically the wife) to stay at home to run the family organization. Strong family ties also imply geographical proximity of adult children: young adults stay home longer and when they exit the parental household they tend to stay close to enjoy the benefits of the family, both emotionally and practically (Alesina and Giuliano, 2010). Tanzanians, when thinking of their family, include a wide range of extended family members such as aunts, uncles and cousins (Ksoll, 2007; Urassa *et al.*, 1997).

The Gross National Income of Tanzania is just below 500 US\$ with a highly skewed salary distribution as is common in developing countries. Out of the total population, 36 percent lives below the poverty line of one dollar a day and is unable to meet their basic daily needs. For women this percentage is even worse: 60 percent of all female Tanzanians have to survive on less than one dollar. Poverty is most common amongst the illiterate part of the population which is estimated at 24 percent of the adult population. The employment rate shows 18.3 million people have a paid job and 2.3 million are unemployed. A large, yet shrinking majority of 76.5 percent of the population works in agriculture, with informal and other sectors growing rapidly by following far behind with respectively 9.3 percent and 8 percent of the population (URT, 2007).

The history of Tanzania has a major impact on the current entrepreneurial climate in the country, affecting both the supply and demand of entrepreneurs. Tanzania is a former German colony that came under British mandate in 1919, which became independent in 1961. In 1964, the formerly called “Tanganyika” (mainland Tanzania) and the Sultanate of Zanzibar became united to form a country called Tanzania under the leadership of the late President Julius Nyerere. The socialist Nyerere envisioned economic development for his country through what is called *Ujamaa*. The Swahili *Ujamaa* stands for extended family or family-hood and reflects the idea that “a person becomes a person through the people or community”. Here, the concept of family is used to reflect reciprocity, collective effort, and an open version of community, tapping into tribal heritage and connections (Nyerere, 1987). According to Pratt (1999), Nyerere translated the *Ujamaa* concept into a political-economic management model, within which local private entrepreneurship was actively discouraged in favor of government-owned, community-based ventures and cooperatives. Also it was discouraged to have any secondary source of income besides the official salary received (Hyden and Karlstrom, 1993). In this top down, anti-market philosophy prices were kept low and, in contrast to many other African nations, Tanzania witnessed relatively little social unrest and political instability. In the 1970s, however, the Tanzanian economy started to decline with receding per capita income, stagnating agricultural production and low productivity industry (URT, 2003b). This decline was caused by a combination of

factors including the oil crisis in the 1970s, the drop in value of coffee and sisal exports, the 1977 break-up of the East African Community which resulted in a border closure with Kenya, and the war with Uganda, and a prolonged drought in the early 1980s. The years of socialism left Tanzania as one of the poorest, least developed and most aid-dependent countries in the world. By the end of the 1980s there was compelling pressure towards the introduction of a multiparty democracy and economic transformation programs (UDEEC, 2002). After the first ever multi-party elections in 1995, the new government established the Local Government Reform Program with the objectives to involve people in decision making on their own development plans, economic empowerment, good governance and poverty reduction (URT, 2007). Nationalized businesses were privatized again. In the 1990s the government started to invest heavily in entrepreneurship education and currently seeks to raise awareness among all Tanzanians that entrepreneurship is the way forward. So far, these efforts have led to the rapid proliferation of mainly petty trading and small businesses within Tanzania's urban centers (Mfaume and Leonard, 2004). Entrepreneurship in Tanzania therefore is characterized by small scale necessity-driven initiatives and micro businesses.

Entrepreneurship, as a new policy priority, is reflected in documents like the "Vision 2025" (URT, 1999a), "National Trade Policy" (URT, 2003a), and the "SMEs Development Policy" (URT, 2002), all having an effect on Higher Education policy, which had to include entrepreneurship as one of the major areas of education. While such an alignment in policy formulation is of crucial importance in the promotion of (graduate) entrepreneurship, the present findings indicate that there are still gaps between policies at ministerial level and their implementation at institutional and functional levels. For example, both the "Vision 2025" (URT, 1999a) and the "National Higher Education Policy" (URT, 1999b), cite the need for entrepreneurship education at university. The "SME Development Policy" (URT, 2002) stipulates that academic entrepreneurship education should be implemented by creating an enabling environment and developing financial support and other infrastructure. While the current policy emphasizes graduate entrepreneurship, one may wonder whether these efforts sort effect at lower levels of implementation. In the next section, the experiences of graduate entrepreneurs will be described in order to shed some light on this issue.

5. Graduate Entrepreneurship in Tanzania

In this section, the diverging response of Tanzanian graduate entrepreneurs to the specific socio-economic and cultural challenges emerging from their local and national environment is established, based on the interview findings. First, the factors enabling or hampering graduate entrepreneurship are presented at an aggregate level in Table 1. Second, these findings are backed up with selected statements of our informants, hence allowing the participant's points of view to prevail (Sandelowski, 1998). In Table 1 the NVivo percentages are added to the enabling and hampering factors in order to establish the level of significance of these factors as experienced by our informants. These coverage percentages indicate that a higher relative percentage in a given node reflects a higher concern with the factor that it represents (Schilling, 2006). The use of percentages not only helps to avoid conclusions that are based on a single overweighed comment, but also give an indication of how representative the comments are for a whole sample and minimize the number of exemplars (or quotes) needed to support the findings (cf. Sandelowski, 2001; Schilling, 2006). These percentages one would argue should have the sum of 100 percent, but one should notice that the table presents only a summary of themes that are relevant for this paper. The complete transcripts of stories show a vast array of themes which are beyond the scope of this particular study.

The findings are presented in such a way that the factors are grouped into two categories: (1) enabling (i.e. factor that facilitate graduate entrepreneurship) and (2) inhibiting (i.e. factors that hinder or delay graduate entrepreneurship), and within each of these categories there is a separation of these factors in terms of their controllability, which may either be at the informal institutional level and more or less within the control/influence of entrepreneurs, and those at the formal institutional level which

are outside the control by an individual entrepreneur. It is, however, acknowledged that some of the factors may tend to fit in both categories.

Table 1: Summary of factors affecting graduate entrepreneurship in Tanzania

Enabling Factors		Inhibiting Factors		
		<i>NVivo</i> (% coverage)	<i>NVivo</i> (% coverage)	
Within the control of entrepreneurs	1. Partnering with and assistance from other entrepreneurs.	2.91	1. Lack of start-up capital.	2.64
	2. Support from strong ties (family, friends and relatives).	1.72	2. Lack of trusted business partners/ employees.	2.10
	3. Emerging links with China, Asia and Middle-East etc (globalization).	1.33	3. Poor technology and low quality of product and services.	0.13
	4. Learning from entrepreneurs of Asian origin (entrance of foreign role models)	0.53		
Outside the control of entrepreneurs	1. Political and policy change.	0.70	1. Limited access to credit and inhibitive banking/ financial services.	2.64
	2. Improved business registration and taxation procedures.	0.59	2. Negative attitudes towards graduate entrepreneurship.	2.10
	3. Improving general awareness of entrepreneurship.	0.57	3. Corruption, collusion and theft.	1.43
	4. Good publicity of entrepreneurs in media. Fostering legitimacy and reputation	0.30	4. Poor taxation procedures.	1.12
	5. Growing banking and micro-finance sector.	0.25	5. Poor implementation of government policies by officials.	0.86
	6. Increase in multinational companies.	0.10	6. Threat from cheap imports.	0.28

5.1. Enabling Factors

One of the major institutional changes that occurred since the 1990s involves the improvements in the areas of business registration and taxation. The extent of improvement in these areas is noticeable by those entrepreneurs who were already involved in some form of business activity prior to the reforms. The entrepreneurs indicated that these improvements had done away with excessive bureaucracy and corruption in this domain: “...*registration and licensing procedures are fine, very facilitative. But in the past, when we started our first company, it was too bureaucratic to do so. And the TRA (Tanzania Revenue Authority) they nowadays understand ... their system is not bad. But in the past, you may just find a person from TRA invading you in the office and taking files and saying all sorts of things. Others were threatening you so that you may sit down with them and “talk” ...*”, said interviewee 5. Other entrepreneurs, although recognizing the improvements in these areas, stated that there is still corruption and other inefficiencies in business taxation and that generally the formal institutions are not yet completely untied from the legacies of poor public management.

In response to changes in government policies and public institutions, the banking and micro-finance sector has also been transformed. For example, in rural areas, there has been a growth of savings and credit unions that offers micro-financial facilities to farmers and small business owners. The increase in the number of banks and other financial institutions, both local and foreign, presents entrepreneurs with opportunities for start-ups as well as the ability to undertake large-scale investments by experienced entrepreneurs. Another effect of the political changes observed by the entrepreneurs is the increased presence of multinational companies. Multinational companies, besides their role in providing jobs to the local population, also create business opportunities for local entrepreneurs, particularly as a result of their need for locally sourced services such as security, catering, transport, stationeries, and other support services. While some entrepreneurs suggested that these foreign

companies are considered as a threat because they have competitive advantage over local companies, overall the increase in the number of foreign investments should also be seen as an indicator of the improved entrepreneurial environment in Tanzania.

Despite these formal institutional changes, the ten stories in our sample show that many entrepreneurs still depend on some type of informal assistance from other entrepreneurs, their friends and relatives in the local environment in order to start their business. Social network relations provide access to business ideas and resources such as business advice and financial facilities to exploit the opportunities emerging from these ideas. While professional and business networks and friendship in addition seem to provide access to social capital which is necessary for starters, existing entrepreneurs also benefit from such assistance. The extent to which entrepreneurs can benefit from business network relationships is largely dependent on their own networking skills and abilities. The narratives in our sample indicate that entrepreneurs in Tanzania tap into both immediate and extended family ties as alternative sources of finance both in starting and expanding a business. As interviewee 1 explains: “... *I had to come back to my father. I told him that I got this issue here, and I am requesting if you could help me with the money to register a company. ...he helped with the money; I went and registered my company ...*” Moreover, the inherent feature of African extended families and strong ties with relatives also provide entrepreneurs with opportunities to hire a trusted labor force. Family becomes a valuable source of employees especially in an early stage of venture creation where, in most cases, an entrepreneur will not have a stable flow of sales to guarantee salary payment and, at the same time, has to curtail possibilities for employees to swindle some of the revenues. “... *[At the start] I used to hire my nieces, my sister’s daughters. I was paying them, of course... You know, if you decide to hire other people, they come to work, but not trustful. ... But they get tempted to steal. I wanted someone I can trust...*” interviewee 7 explained. Though the question of trust is far beyond family bonds, it is a common scenario in most small enterprises in Tanzania to find family members among employees. It is believed that family members treat the business as their own. However, family ties work both ways, where an entrepreneur uses family members as a source of cheap and trusted labor, and family members view an entrepreneur as a source of employment. For the entrepreneur this poses the risk of being obliged to hire family members regardless of their level of skills and training to perform the tasks they are entrusted with.

Network relationships in Tanzania are not limited to family or local business ties. The number of foreign entrants from the Middle East, China and other Asian countries has increased rapidly over the past years. In the ten stories with graduate entrepreneurs, trade ties with China and other Asian countries offer many business opportunities. Most of the entrepreneurs have sought to import Chinese goods and technology which are cheaper than those from Europe and America. Furthermore, entrants from the Middle East and China have set up business ventures in Tanzania. “Weak” ties with such traders have in some cases provided trade opportunities among Tanzanian entrepreneurs and, therefore, have shown their “strength” in a Granovetterian sense. While the number of Chinese investors increased in recent years, some sectors of the Tanzanian economy have been dominated by Tanzanians of Asian origin. These Asians (mainly Indians) control large corporations, and from the African entrepreneurs’ point of view, their business competition has often been a serious obstacle to their own progress (Marris, 1968). Yet, the current cohort of emerging local entrepreneurs often perceives these Asian businessmen as role models. For example, interviewee 5 holds this view: “...*our fellows [of Asian origin] are very far. They own these big companies mainly because from the very start they decided to take risks. So if you look, that is why they achieve more than us, it is because they have taken the risks and decided to stay fully in their businesses...*” As few indigenous role models have yet emerged, the entry of entrepreneurs from other regions may actually enable Tanzanian entrepreneurs to upgrade their own ambition levels. In recent years, Tanzanians of Asian origin have been actively involving themselves in local issues including political activities and in sectors other than retail. This, in some cases, has brought closer links with the indigenous entrepreneurs and provided opportunities for the locals to learn the skills of the trade.

In Tanzania a graduate's decision to become self-employed has been a battle with the existing norms that envision graduates as salaried employees. Although the current government strives for graduate entrepreneurship and self-employment, it has not been able to erase the institutional legacy of *Ujamaa* completely. Usually, graduates who identify themselves as entrepreneurs are still equaled to those who are unemployable, necessity-based traders or who make a living through unreliable or illegal means. However, public attitudes towards entrepreneurship seem to have changed. Currently, there is a growing understanding and appreciation of entrepreneurship and its role in the Tanzanian society. Interviewee 10 explains: "... *entrepreneurship has become like a trendy thing to be. When you call a person an entrepreneur, it is like praising him, like giving him a title or some sort of a respect, you know? Even petty-traders want to identify themselves that way...*" The improved reputation of entrepreneurs and the attractiveness of an entrepreneurial career among Tanzanians is a reflection of both the more conducive environment and the shift away from salaried employment among graduates.

5.2. Inhibiting Factors

Despite the above observed expansion in both the banking and micro-finance sector, the banking sector is still incapable to cover the current needs of entrepreneurs. Almost all of the ten interviewed entrepreneurs gave an account of how getting start-up capital was a major hurdle in their efforts to start their first business ventures both in the formal and informal institutional context. In the formal institutional sectors, if loans are granted at all, they are often below the requested amounts. One of the most serious features of the banking system is the lack of trust that bankers have in start-ups. While some of the banks do not offer loans to business start-ups, there are others that do, but these set their borrowing conditions in such a way that a person with a newly started business will not be able to meet them. This would be in the form of restrictions such as submitting audited financial statements of three consecutive years, or having operated with the bank for a given period of time. Under such restrictive conditions, an entrepreneur with a business idea will spend a long time in moving from bank to bank in search for less restrictive conditions. The lack of financial resources and the perceived difficulties in obtaining a loan have a negative effect not only on the aspirations of future entrepreneurs, but also on experienced entrepreneurs' choice of types and size of business investment. Almost all graduates who intended to start a business using a bank loan had experienced long procedures and restrictions that are not feasible for a starter. Most of the graduates are from poor families and come directly from secondary school. In the eyes of the banks, this type of customer lacks both the experience and security in terms of assets and guarantors. In order to be able to start a company in Tanzania, entrepreneurs have to develop a strategy that enables them to deal with the lack of startup capital. Typically, their strategies involve starting small or having a number of alternative product ranges and gradually growing their businesses to the level where they can initiate the activities they had originally envisioned. As interviewee 6 indicated: "...*our country does not have a system that can enable a person to borrow large amounts of money. That is why you see entrepreneurs like me divide our businesses into several small businesses.*" Under these circumstances, entrepreneurs tend not to pursue business opportunities that would require a large outlay of money upfront (e.g. in real estate and large scale engineering projects) which are also key to the country's competitiveness. This means that the development of opportunity-driven entrepreneurship by graduate entrepreneurs continues to suffer from the limited financial services and the financial sector's tendency to focus either on micro and informal businesses via micro-credit schemes or on large established companies with regular business credit schemes.

Conversely, credit restrictions also occur in the informal institutional sector due to limited family resources. In a number of instances entrepreneurs have faced options of whether to work with friends and family or other entrepreneurs, suppliers, customers and employees. In all instances, it seems that the question of trust was of a determining importance in choosing who to employ or trade with. For example, one of our interviewees (no. 5), facing lack of start-up capital, had to decide whether or not to enter into a partnership with other entrepreneurs. This strategic decision enabled him to embark on the construction of a beach hotel, a project that would otherwise be impossible to be

undertaken by a single entrepreneur with limited financial resources: “...we were so lucky, one of my business partners, my elder brother, got into another business partnership with his friend. We were now to build a beach hotel. This guy had a plot at the beach, but did not have the money to build..... Also there was another guy that my brother went to high school with, this guy said ‘let’s start the hotel project by first contributing money that is equivalent to the value of the beach plot’ ... “, stated interviewee 5.

As pointed out earlier, the perception of trust (or lack of it) affects the choice of suppliers, agents and employees. For instance, interviewee 2 felt that he should not turn to a friend as an import agent; instead he opted for a Chinese trader: “... I decided not to use my friend as an agent. I did not trust him, you see? He might disappear with my money! You know there is this common problem among Tanzanians, what they talk about is not what they worship.... So I kept talking the deal with Mr. Lee [a Chinese trader], he speaks good English too....” In many cases, entrepreneurs have faced suppliers who do not meet their contractual obligations, or employees who attempt to swindle money or products from the business. Despite the different approaches to identifying trustworthy business partners, trust is a recurring element in business decisions among Tanzanian entrepreneurs. Trust works both as a facilitative and inhibitive factor in all stages of an entrepreneurial activity, affecting the startup as much as the financing, staffing and trading.

Free trade has resulted in an increase of imports in Tanzania. There has been an influx of cheap products from countries like China and India, which have tended to cripple local production. The relaxation of import conditions like import duties in some of the products seemed to be justified by the argument that local production has failed to meet local demand, especially for food products. But this has been at the expense of local producers and sellers of locally made items. Interviewee 2, who runs a sunflower oil refinery plant, had the following comment: “...in the market, we compete with too much imported [edible] oils, which do not pay tax. This automatically disadvantages us...” In most cases, imported products come from countries that enjoy both advanced technologies and low costs of production hence having mass production. When these products are exempt from taxation or benefit from tax reduction, the imported products are sold at cheaper prices than locally produced goods. As a consequence, these foreigners have a competitive advantage over the domestic entrepreneurs. Several respondents have indicated their concerns that foreigners, in particular Chinese traders, are currently dominating the streets that used to be the domain of the local street vendors.

While currently technological developments in IT, telecommunications and transport are better than in the past decade, there are still significant complications with the quality of internally developed products and the level of after-sale services from suppliers of machines and other technological equipment that entrepreneurs acquire for their business operations. Interviewee 1 explains his experience with his street lamp project: “... I started the process of making the [street lamp] poles, I went to VETA; they made such horrible poles. They kept on falling after being installed in the streets. I entered into a loss of about Tshs. 12 million....., frankly speaking, there is a big percentage of Tanzanians who cannot deliver results...” This respondent lost money in the very early stages of his business and resorted to importing the street lamps from outside the country. While imported goods offer some assurance on quality, imports come with a number of other problems, including less assurance of the after-sale services due to the distance between the supplier and customer. It limits the growth of the local manufacturing firms and, in most cases, goods from outside have proven to be very expensive due to taxation and cumbersome import clearing processes.

Adding to such outlays is the widely accepted practice of paying bribes. Tanzanian entrepreneurs are most likely to face corruption when tendering for business contracts and when dealing with institutions like the police, local government authorities and other regulatory bodies. Interviewee 6 explained this situation: “...it is not about delivery; it is not about the quality, or otherwise. There are a lot of strange things out there! ...I may need a business contract, I say: “listen here, you have your Tshs. 200,000 and I have my contract ...” While corruption is against the law, the evidence from the ten interviews indicates that corruption has been justified to be a way of “how business is done here”. Corruption is taken to be a way of building networks, gaining access to and

acceptability among different formal and informal institutions. Corruption presents an ethical challenge, meaning that it is hard to maintain a strong ethical standard and at the same time be able to make progress in business life.

While taxation is among the domains where entrepreneurs come into contact with corruption, procedures in paying tax and other levies may also present an obstacle to business growth. The tax authority shows a number of procedural inefficiencies: “...you see that bus? It is now three weeks since I imported it. I have paid all the taxes everything, registration costs ...everything. But to date I have not been given the number plate. Imagine, you paid all the taxes, but just a simple tin plate takes ages to come. ...this is a third week my bus is standing there. I have incurred all the costs, but it is standing there unproductive” complained interviewee 6. While such delays lead to a loss of valuable time, entrepreneurs also face the possibility of being overcharged on their business income. The fear of paying high amounts of taxes has led many entrepreneurs to avoid growth and decide to remain in the informal sector or to operate micro businesses.

6. Discussion and Implications

The research reveals that Tanzanian graduate entrepreneurs take advantage of factors such as the changed political orientation, partnership among entrepreneurs, strong family ties, emerging links with countries like China, the presence of entrepreneurs of Asian origin, the growing awareness of entrepreneurship, the improved banking and taxation sector and the increase in foreign companies. However, the research also shows that graduate entrepreneurship in Tanzania is still in its infancy and is facing a number of inhibitors, including the difficulties in raising start-up capital, inhibitive banking and taxation systems, problems of trust, poor technology, negative attitudes, corruption, poor policy implementation at lower levels of government, and the increasing threat from cheap imports from countries like China. The findings in this study align with earlier conducted studies on Tanzanian entrepreneurship and youth entrepreneurship in Africa (cf. Kristiansen, 2001; Tillmar, 2006; World Bank, 2004). However, where the existing literature generally emphasizes a singular external factor in terms as facilitator or impediment of Tanzanian entrepreneurship, the current research shows that, among the graduate entrepreneurs, the embeddedness in the social environmental is not singular but mixed. This mixed embeddedness does not simply strengthen or weaken entrepreneurship in Tanzania. Instead, mixed embeddedness implies that there are complex, partly converging and partly conflicting institutional forces at work which at the same time advance and impede entrepreneurial activities. Frustration with the slow pace of change and lingering institutional barriers are among the factors causing graduates to be less attracted to entrepreneurship in recent years. Still, most Tanzanians who engage in entrepreneurship do so because they cannot find adequate employment in larger firms or government bodies because of low levels of education which restrict their chances on the labor market. This, however, is not the case for graduates in Tanzania. Highly educated individuals in Tanzania engage in entrepreneurship as they recognize opportunities and are driven by a strong motivation. At the same time, their attempts at entrepreneurship are hampered by what Schmitz (1982) termed as “internal problems”, including a mismatch of education and the business environment and a lack of entrepreneurial skills and managerial capabilities, and “external problems”, comprising of lack of access to resources, inhibitive formal institutions and exploitation by larger enterprises. These problems, as it is the case in many other developing countries, largely explain why most businesses created by graduates remain of a small-scale, informal and survivalist nature (Kristiansen, 2001; Schmitz, 1982). Since many businesses are generated as a survival strategy and micro-businesses are most abundant and visible in Tanzanian society, it is hardly surprising that entrepreneurship holds a low status and is not a desirable career choice for most middle class Tanzanians. Most Tanzanian parents invest in their children’s education in order to secure their future employment in a stable and well-paid job (Al-Samarrai and Peasgood, 1998; Bergmann, 1996). Therefore, when a graduate becomes interested in entrepreneurship, parents and other family members respond with skepticism. With few successful entrepreneurial role models present in Tanzanian society (Nkirina, 2010), it is not

surprising that the older generation who still carry the institutional legacy of the *Ujamaa* principle, continue to be cautious of private enterprise, and do not see this as a suitable career choice for their educated children. However, the politico-institutional situation in Tanzania is changing towards conditions that are more conducive to entrepreneurship. The changed tone in government policies, the current advocacy of entrepreneurship and its education, and the growing awareness and interest towards entrepreneurship are some of the indicators of the current entrepreneurial awakening in Tanzania. Although the government is in support of private enterprises, the implementers of policies, i.e. the civil servants, are still slow to adopt the change which enforces the antagonistic and suspicious relationship between the state and the private sector (cf. Temu and Due, 2000).

Opportunity-driven entrepreneurship is suffering from a persistent scarcity of resources in Tanzania. Lacking support structures and credit facilities reflect the widely held assumption that entrepreneurship in Tanzania mainly concerns small scale initiatives aimed at survival and livelihood provision. Hence micro-credit being widely available through banks and governmental initiatives. While there is a significant growth in the banking and financial credit sector (Lwiza and Nwanko, 2002; Temu and Due, 2000), banks in Tanzania hardly provide larger credits to opportunity-driven graduate entrepreneurs. In general, the services of the financial sector are accessible exclusively to large, established corporations. Consequently, when starting a business, graduate entrepreneurs in Tanzania largely rely on family members for both the startup capital and unpaid labor (Marsden, 1992). The strong ties between them and relatives and other entrepreneurs (both local and foreign) provide the graduate entrepreneurs in our sample with business ideas as much as start-up capital, partnership opportunities, trusted human resources, and even weak-tied network relations. Yet, as studies in other parts of the world have shown, family ties might also undermine entrepreneurship, in particular if these ties forge obligations of bounded solidarity (cf. Portes and Sensenbrenner, 1973) that may drain business resources for private consumption and burden the business with family members as salaried but redundant personnel. This is true in Tanzania, as family members expect jobs for which they are not qualified and may drain the entrepreneur of resources by demanding financial support (Egbert, 2009). However, embeddedness in strong-tied networks is not based on ethnic or family ties alone. Many Tanzanian entrepreneurs forge ties beyond their immediate social circle and establish trust-based relations with actors with whom they maintain weak ties in order to sustain their entrepreneurial endeavors.

Trust, in general is a major issue. Whether it concerns relationships with family members, friends, local business people or international business connections, all graduate entrepreneurs in our sample continued to bring up the issue of trust. Graduate entrepreneurs in Tanzania have rather limited control over the outcomes of their business interactions, as they seldom have alternative relationships to turn to for resources if a particular relation does not deliver, nor do they have the necessary financial means to hire a lawyer and go to court to settle disputes. Under such circumstances, personal trust gains importance. By relying on trusted relations, they reduce transaction costs through obtaining information and a means to enforce contracts (Welter and Smallbone, 2005). Overall, their sense of control in complex situations is enhanced (Höhmann and Malieva, 2005). Yet, the interviews also reveal that trust is broken frequently due to conflicts of interests and opportunistic behavior.

In recent years, the number of foreign companies entering the Tanzanian market has increased rapidly (Mkenda, 2005; Rutihinda, 2007). Tanzania is experiencing a surge of Chinese influence in all sectors of the economy, and there also has been an increase in trade between Tanzania and countries in Middle East, and Asia in general. The positive effects of such foreign direct investments on the economic development of developing countries are widely recognized, as they increase tax revenues, fill part of the gap between desired investment and domestically mobilized savings, bring superior management, technology and human capital, and lead to the formation of jobs and consequently help the country reduce poverty (Borenstein, De Gregorio and Lee, 1998). While acknowledging these advantages for the Tanzanian economy, local entrepreneurs do not necessarily benefit from foreign entrants as suggested by Szogs (2008), as relatively few local entrepreneurs possess the necessary absorptive capacity to benefit from knowledge spillovers from foreign entrepreneurs. In developing

countries, foreign entrants have competitive advantage over local entrepreneurs in terms of access to financial capital and superior technology and knowledge. Using such competitive advantage, foreign entrants outperform and sometimes even replace local entrepreneurs, causing damage to existing local economic arrangements. This may result in disembeddedness of Tanzanian entrepreneurs from their local economy. This has been a concern to many Tanzanian entrepreneurs. The government, enforcing its strategy to increase foreign investment, has eased the way for foreign investors. However, not all foreigners starting a business in Tanzania qualify as investors in terms of the type and size of their business. Some operate at the level of street vendors competing with the local micro businesses. However, while this may seem to be to the disadvantage of many local entrepreneurs, for some perceptive graduate entrepreneurs the presence of foreign competitors has provided an opportunity to forge access to new products, markets, technologies and partnerships.

Although the current research does not have the ambition to identify and explain individual differences between the interviewed graduate entrepreneurs, it should be noted that the listed contextual enablers and inhibitors exert different effects on each individual entrepreneur. The differences in perceptions of the opportunities and restrictions may indeed be related to individual divergence in entrepreneurial capabilities. The same contextual factor may be viewed as being within their control – hence an opportunity - by one entrepreneur and out of their control – hence a restriction - by another. Therefore, it seems that while the general entrepreneurial climate in Tanzania remains rather adverse, resourceful entrepreneurs manage to find a way of dealing with the identified hurdles and drive their business from a mere idea to a full-grown enterprise. The question that remains to be answered is to what extent academic entrepreneurship education enhances the graduates' ability to identify business opportunities and to thrive under complex market conditions.

7. Reflections and Recommendations

Reflecting on policy and educational implications of the findings, probably the first concern that policy-makers need to ponder is the evident gap that exists between the national drive towards creating entrepreneurial graduates and the lower levels of government and implementing institutions that are key to the realization of this policy objective (e.g. training institutions, financial institutions, tax authorities, local government authorities, civil servants, and the community at large). The problem is rooted in difficulties of translating policy goals formulated at a ministerial level into specific measures to be taken at lower government levels. This calls for policy-makers to think of a proper framework that will guarantee the realization of different policy goals at lower levels. For example, there could be specific tax reliefs granted to graduates' start-ups, or improvements in the legal framework that would establish trust in contractual agreements beyond the common reliance on informal ties.

At the level of educational institutions, the challenge is to enhance the relevance of entrepreneurship courses and programs taught in universities for addressing practical issues in the Tanzanian context. It is a common cry, also among the interviewed graduates, that university courses do not prepare them to face the challenges in business practice. While a course lists banks and micro-finance as sources of capital, bankers in the real world say they do not offer loans to start-ups. Teaching entrepreneurship has to move beyond listing strategies for raising capital. Students need also to be equipped with skills enabling them to deal with negative attitudes, competition from cheap imports, choice of appropriate technologies, and to take advantage of other factors that are unique to the Tanzanian context. Therefore, while there is an eminent need to improve training programs in Tanzania, there is also a need to develop entrepreneurs who would be able to navigate in local troubled waters. This could be done by working with a "triple helix" approach (cf. Etzkowitz, 2003), which advocates the engagement of (higher) education with both the industries and government. In terms of entrepreneurship education in Tanzania a triple helix approach would imply the involvement of financial institutions, local entrepreneurs and policy-makers in the design, teaching and evaluation of entrepreneurship programs offered at the university.

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Appendix 1: Profile of Interviewed Graduate Entrepreneurs

Code	Age	Gender	Education	Business Sector(s)	Location
Interviewee 1	26	Male	• Bachelor of Business Administration (Marketing)	Advertising and Marketing Solutions	Dar es salaam
Interviewee 2	39	Male	• Diploma in Locomotive Technician	Agri-business, sunflower oil refinery	Morogoro
Interviewee 3	29	Male	• Bachelor of Business Accounting & Finance	Butchery, Rice farming, Transport	Morogoro
Interviewee 4	39	Male	• MBA in Corporate Management, • Advanced Diploma in Taxation	Import of Car Accessories and Electrical appliances	Dar es salaam
Interviewee 5	36	Male	• MBA in International Business, • Certified Public Accountant (CPA-T) • Postgraduate Diploma in Financial Management, • Advanced Diploma in Accountancy	Pharmaceuticals; Hospitality/Beach Hotels; Tour and Transport operators; Real Estate	Dar es salaam
Interviewee 6	39	Male	• Advance Diploma in Economic Planning	Transportation, Micro-credit; Rice and Crop Milling	Morogoro
Interviewee 7	45	Male	• Bachelor of Science in Forestry	Civil Engineering Contractor; Hotels; Crop Milling and Wholesaling	Morogoro
Interviewee 8	32	Female	• Master of Laws (LLM); • Bachelor of Laws (LLB); • Diploma in Beauty Therapy; • Certificate in Human Resource Management	Bridal Care and Beauty Therapy; Cosmetology Training Center	Dar es salaam
Interviewee 9	30	Male	• Bachelor of Science in Agri-business	Milking processing	Morogoro
Interviewee 10	32	Male	• Bachelor of Science in Veterinary Medicine	Poultry, Horticulture	Kibaha