A theoretical route towards conceptualization of start-ups in emerging markets: A Kenyan perspective

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A B S T R A C T

This paper aims to develop a critical approach to the conceptualization of start-ups in emerging markets from a Kenyan perspective. This study used a theoretical route to conceptualize start-ups in emerging markets like Kenya. From the findings, it is important to note that the conceptualization of start-up is based on western concepts and might be flawed and poorly applicable to businesses in Kenya. Hence in the Kenyan context, a start-up should be viewed as an innovative business entity, which is scalable and has survived up to 5-5 years. To support the growth of the start-up ecosystem in Kenya, policymakers should promote start-ups through the formation of relevant legislation and provide incentives that stimulate their survival and growth. The study has brought out some interesting findings which can generate more debate. The study used an exploratory research design which is not conclusive in nature therefore future research should consider using a research design that is conclusive in nature and robust.

Introduction

Many researchers have expressed an interest in business start-ups' and business incubators (Muathe & Otieno 2002). Various writers have used different terms when defining entrepreneurship, including new enterprises and organizations, new business models, new products, risk-taking, creative destruction, innovation, and creativity, showing its richness in manifestation, application, and meaning. Entrepreneurship can either be necessity or opportunity-based but is considered a viable career option, regardless of the motivation.

A start-up is a type of business in the first stage of its operations. Entrepreneurs/founders fund them; they capitalize on developing a service or product, believing that its demand will increase with time. However, most start-ups cannot sustain their operations for the long term without adding more resources such as financial support. This results from environmental dynamics such as high start-up costs and high competition. (Sedlacek & Sterk, 2017).

Start-ups have attracted the interest of researchers and policymakers. Start-ups were being classified primarily on the newness of their legal existence by earlier researchers (Freeman et al., 1983. Muathe & Otieno, 2022). The definition has evolved; unlike in the 2000s, almost all research uses “new,” which implies the formation of new enterprises that did not exist previously. The previous researcher focused on a start-up's newness. Still, scholars have recently indicated that a start-up should be classified as innovative due to domestic and international markets (Krejci et al., 2015). Start-ups today are known for their ability to interrupt industries and introduce new products and processes to the market due to their innovative spirit. Start-ups are businesses that anticipate growing beyond the owner, and they have an intention of growing to be large businesses. A start-up mainly refers to high-tech corporations creating goods that influence technology. Key features of a start-up include an enterprise that is in the beginning of business where founders normally fiancé their start-ups and may also attract outside investment before they start growing. Their funding sources

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include family, friends, loans, crowdfunding, and venture capital. Start-ups face high uncertainty and have a high rate of failure, but the few that become successful can become big and influential if they focus on innovation (Schmitt, 2018, Muathe & Otieno, 2022).

According to Partech Partners (2021) report, Kenya is one of the top four countries at the forefront of the African Continent’s start-ups. In Kenya, there is a suitable environment for start-ups because funding is available across all stages of the life cycle, and start-ups are funded across all sectors. Kenya continues to perform well in the African continent. However, it may already have had its time in the spotlight as investors increasingly look to West and North Africa for new opportunities. Dvalidze’s (2019) study states that start-ups are essential to the global economy. Although there is a high rate of start-ups creation, their success and viability remain low. Leadership is considered a critical factor in guaranteeing success by influencing performance. In a start-up’s lifecycle, the concept of leadership evolves with distinct features and conditions characteristic of entrepreneurial leadership at each stage. According to the study by Chammasian and Sabatier (2020), start-ups are the source of all organizational success and failure. This means that every single organization was in its start-up stage, as the owners identified a gap in a particular market, and they decided to take the opportunity to fill that gap by combining their ideas. Prosperous, well-thought start-ups act as the primary source of transformation of industries as the sector goes through its life cycle. This occurs due to new ideas that founders bring on board, giving rise to drastic innovation for the industry; hence the business can win over their consumers and gain an advantage over other businesses. The start-ups that can keep up and employ adaptive measures can stay afloat, while those too rigid to adapt to the change decline in relevance and eventually die out under changing consumer needs. Start-ups should invest in IT is not smooth sailing for start-ups because the majority do not achieve the desired operational success. According to Karitu and Namusonge (2019) decision making style of venture owners could also be a contributing factor why they do not grow to full maturity hence a need for start-ups owners to know their decision making style. A report by Organisation for Economic Co-operation and Development (2018) states that most start-ups fail within the first five years of operation due to a lack of management skills, and capital hence there is a need to develop incubators.

Nairobi County being the country’s capital has become a haven for many start-ups over the years. According to KNBS Report (2020), more than 1 million businesses are registered and started each year across Nairobi County. However, only 1 in 5 start-ups make it to 5 years of operation and a further 1 in 3 businesses make it past 10 years. The high failure rate can be attributed to several variables. Several variables contribute to this high failure rate, including a lack of resources. According to the Resource-Based Theory, businesses need resources to become successful. If the required resources are not available, it causes start-up failure.

The research was exploratory in nature. This is because it tried to gain more insight into the concept of start-up in the Kenyan perspective and using a theoretical approach. According to Muathe (2010) and Swedberg (2020) exploratory research comprises an attempt to learn something new and interesting by working your way through. Secondary data which was qualitative in nature was collected through in-depth literature analysis of published materials like; discussion papers, published papers in refereed journals and textbooks. Mugenda and Mugenda (2003) noted that qualitative methods of data collection report things the way they are without altering anything.

Theories linked with Entrepreneurship

There are several entrepreneurship theories linked with entrepreneurship.

Profit Theory

It was developed by Joseph Schumpeter in 1943. According to Frank H. Knight, an entrepreneur reaps the benefits of uncertainty and risk. Any company faces two sorts of risks: those that can be insured and those that can’t. Management of non-insurable risks such as competitiveness and government policy changes enhance the profit that drives the entrepreneur since insurance companies can’t insure them.

Harvard School Theory

As per Harvard School Theory cole 1949, entrepreneurship consists of two parts: managing within and comprehending outside. The businessman must be aware of changes in society, ecological, and political environments and adjust to them while still running the firm... Traditionalism and economic theory go hand-in-hand at Harvard, but they haven’t broken away from the latter. Neo-Austrian School is putting up a fight against it. When running a business, they found that imbalance is more practical than equilibrium. An entrepreneur is more engaged and conscious of innovation when they are in a position with a lot of uncertainty to continue to make money and enhance it.

Contingency Theory

The Contingency Theory was initiated during the 1950s, when the Ohio State University studied leadership behaviour. The study found that good leaders have two specific behaviours. They are considerate; this occurs when a leader is interested in building confidence and rapport with their subordinates. The second is when a leader initiates structure, where the leader takes over the management of the unit and hands out assignments and tasks to the subordinates. (Harrison, 2018).

Fred Fiedler’s Contingency Model introduced Contingency theory into mainstream academia in his article, ‘A Contingency Model of Leadership Effectiveness, published in 1964. Like Contingency theory, he found that there is no single way to organize and manage
a unit. There are two essential things: the leader’s personality and the situational context. A leader leads and manages his unit during uncertainties by critically analysing and evaluating the situation and acting accordingly. (Lartery & Franklin, 2020). Fielder (1964) outlines two types of leadership. Task-oriented leadership focuses on accomplishing and handling jobs by sharing tasks. The other type is relationship-oriented, which deals with relationships and interpersonal skills with his subordinates. Contingency theories were further revised by many other scholars, such as: The Path-Goal theory developed by Martin Evans (1970), The Normative Decision Model by Victor Vroom and Philip Yetton (1973), and The Situational Leadership Theory by Paul Hersey and Ken Blanchard (1969).

According to contingency theory, different firm strategies respond appropriately to different environmental circumstances (Burrell & Morgan 1979). Start-ups face many uncertainties in every development stage; hence the contingency theory approach is a theoretically justified choice to deal with these uncertainties. A start-up has an entrepreneurial style, but as it matures, its structure is likely to evolve to something else depending on the contingencies it faces (Lagstedt & Dahlberg, 2018). The business environment of start-ups keeps on changing; hence contingency theory will assist the start-up in responding to the uncertainties of its environment.

B. F. Hozelitz’s Theory

The theory was developed by B.F. Hozelitz (1960); in this notion, it is said that business can only thrive in a constantly changing society. Entrepreneurship is born when society's dynamic forces are encouraged and nurtured. They play a vital part in society's transformation process. People on the margins create and implement creative activities that are suited for the shifting circumstances in which they are operating. Entrepreneurs and business leaders are known for bringing new ideas to the table. According to several studies, an entrepreneur's conduct may be significantly influenced by socioeconomic characteristics such as education, religion, and family type (Khan, 2014). Different nations’ business classes are part of a distinct socioeconomic class.

The theory has been criticized by Andre Guider Frank (1969) on several grounds, such as; the basis of empirical validity. He also criticized the general scheme in terms of its theoretical adequacy; he states that the wholly abstract model ignores the reality of past history and the current international economic state. He stated that underdevelopment could be removed by changing certain fundamental features of the developing country. Gusfield (1973), found that some cultures may be conducive to economic development. For example the extended family in Middle Eastern countries has proven highly important to the growth of specific start-ups.

X-efficiency theory of entrepreneurship

In the 1960s, American economist Harvey Leibenstein devised the X-efficiency hypothesis. Businesses, in his opinion, fill in the blanks and round out the available resources. Where there are inadequacies in the marketplace, like market leaders who do not use their resources properly due to normative, political, cognitive, normative, and structural causes, gaps (or X-inefficiency), might appear (Leibenstein, 1966). In imperfect competitions, X-efficiency is defined as the level of effectiveness sustained by enterprises. X-efficiency may be used as an explanation to understand better why corporations may not be motivated to increase revenue in a marketplace where they are already lucrative and face minimal competition. A famous example is a company without a union entering a market where the incumbents all have strong unions. Low-cost company models may benefit from the cost advantage of unorganized labor, allowing them to survive at the bottom of the market at profitability that dominant businesses cannot afford to explore within the goal ranges set by their stakeholders.

Economic incentive theory

The chief supporters of this concept are G.F. Papanek (1962) and J.R. Harris (1970), who proposed that economic initiatives are the main drivers for entrepreneurial endeavours. J.R. Harris and G.F. Papanek. To put it another way, this theory says that economic growth and entrepreneurial activity occur when the most conducive conditions and environments are present. Entrepreneurship is mainly motivated by the desire to make a lot of money. In every economic activity, the primary goal is to take advantage of the chance to better use resources and generate the projected profit, which is the ultimate goal. Even if a person lacks the inclination or aptitude to become an investor, market defects will inspire them to take action. The growth of business might be stunted at times by ineffective government initiatives. Governments should thus design and execute an economic strategy that encourages entrepreneurship by this notion. Market flaws should be eliminated even if it means taking little measures.

Social change theory

The theory was developed by Everett Hagen (1962); it states that dissatisfaction and resentment may arise from an inferior status in society. To reclaim one's place in the social hierarchy. Innovating, creating, and developing new products is a result of this. We place a great value on the contributions of entrepreneurs in our society. Economic progress and individual liberation are only conceivable as a result of this. To help their community and reclaim their social standing, an increasing number of community members are turning to entrepreneurship to start their own businesses. As a result, the notion goes, a community that has suffered a social reputation blow would attempt to rebuild via business and personal growth. For Hagen, “the removal of social respect” is a key factor in the emergence of creative individuals or groups within social contexts. Hagen (1962) used the Samurai society in Japan to illustrate his argument.
Alnemer (2021) found a positive relationship between start-up intentions among females and self-efficacy, career choice, employment generation, and social welfare. Social entrepreneurs are known to come up with market-driven start-ups to produce a change in society, some may succeed while others may fail. The theory supports start-up because many start-ups have been developed by members of the social group when they feel that society does not respect their values and status; hence, they turn to innovation and come up with a start-up. For example, in Kenya, the Equity bank was developed as many banks failed to recognize the low-class members. Social Change Theory can provide a comprehensive theoretical background for emerging start-ups who have been marginalized and can come up with innovations.

**Cultural Value Theory**

The theory was developed by Thomas Cochrane (1965), and it states that social norms, social acceptance, and performance expectations are critical to the growth of a business. According to this hypothesis, three things have a significant role: Several factors influence an investor's desire to succeed in business, including his motivations, the expectations of others around him, and the demands of his profession. These variables influence the birth and growth of entrepreneurship, as can be observed since entrepreneurial growth relies on the social context, which is composed of values held by the general public.

The study by Koskinen (2021) revealed that the domestication of start-up culture is found in a combination of start-up entrepreneurship and culture, suggesting that certain cultures hinder start-up entrepreneurship. Pulat (2020) suggested that leadership should incorporate appropriate human-centered cultural midst by reflecting on six foundation human drives: ownership, meaning, belonging, collaboration, participation, and rituals. Cultural norms are essential factors to consider for the start-up.

**Theory of high achievement**

According to David McClelland's book in 1967, humans all have a strong drive to do something. Depending on the individual, the level of motivation for success may be different for each person. On the other hand, everybody is keen and always interested in reaching something exceptional. He states that entrepreneurship is open to anyone with a burning drive to succeed. In studies done by Christopher and others, accomplishment motivation was a strong predictor of both entrepreneurial job choice and entrepreneurial success. Start-ups success is an entrepreneurial success.

**Stocke’s Theory**

Burt developed the theory. F. Hoselitz (1968) states entrepreneurship tends to originate from socially marginalized groups in a given society. According to stock, social and cultural values have a vital influence on business. In countries in transition, cultural and social values play an essential role in deciding which businesses to invest in and how to grow them. Personal interest and societal chances, according to Stocke, are what lead to the emergence of business. Social ideals are more critical to an entrepreneur than money. According to Rajeshwari and Shagirbasha (2021), Managers and practitioners have various ways of learning the culture they should put in place for a start-up to succeed.

**Resource scarcity theory of entrepreneurship**

The theory was developed by Oxenfeld and Kelly in 1969, it states that new businesses may choose franchising rather than chaining as a way of expansion because of a lack of resources, according to Oxenfeld and Kelly (1969). The theory's central premise is that new businesses are created at a smaller size than optimal, which negatively correlates with the pace of growth of new companies (Audretsch, 1995). By franchising start-ups will have a competitive advantage in market, advertising, business planning, sourcing for markets, and raw materials.

**Max Weber's theory**

The theory was developed by Max Weber, a German sociologist, in 1980. According to Max Weber's idea, cultural and religious backgrounds influence business. Everybody's religious upbringing has a significant impact on their life. His religious convictions will be the driving force behind all he does. A person's religious beliefs may prevent him from participating in any activity that is contrary to his convictions. His research establishes a link between the rise of entrepreneurship and the Protestant Christian tradition. According to the findings of the research, those who adhere to a materialistic and capitalist worldview are the wealthiest and most innovative. Furthermore, research by David and others shows that the caste system and religion have an impact on a person's entrepreneurial prowess. Also, the idea clarifies how and why the Jains, Hindus, and other faiths play a vital part in business. A person's beliefs, philosophy, mindset, and manner of thinking are shaped by the religious environment in which they were raised. These considerations will play a crucial part in deciding what kind of company or professional activity to engage in. Protestant culture has grown because Christianity has maintained a worldly religion. As entrepreneurialism has grown, this notion has been crucial (Audretsch et al., 2007).

The theory suggests that the entrepreneurial qualities of an individual or group remain ingrained within the society the person belongs, this view of the society is influenced by ethical and religious beliefs (Jackson, 1983; Rao and Singh, 2018). Paul Walton (1975) crises the theory stating that the theory was an almost obsessive search for how developments in Western civilizations differ from the similar to the fate of other great historical powers. His major concern was with the peculiarity of the West.
Stewardship theory of entrepreneurship

It was proposed by Lex Donaldson and James Davis (1980) as an alternative to agency cost theory that they considered as having wrong attitudes regarding managers. Stewardship theory is the relationship involving proprietors (investors), and actors (entrepreneurs and managers) is always contradictory, according to agency cost theory, which considers agents as opportunistic and self-interested. As per Davis, Schoorman, and Donaldson's (1997) stewardship concept, people instinctively integrate their objectives with those of the company because they strive to satisfy higher-order demands via pro-organizational conduct (and therefore its principals). When the steward's objectives are not matched, he emphasizes collaboration than defection (Davis et al., 1997, p. 24).

Economic theory of Mark Casson

Mark Casson (1982) states that every economy's growth is founded on the unhappiness of its current workforce. The desire to learn something new will lead to societal transformation. Entrepreneurs contribute significantly to society's overall well-being by introducing new concepts and goods. The unhappy workforce moves to start their businesses with improved ideas. This argument is consistent with the concept of start-ups where employees move away from employment to new territory of self-employment.

The stakeholder theory

The stakeholder theory is a philosophy of corporate management as well as business principles that considers numerous constituents influenced by company entities such as workers, distributors, community groups, and lenders, among others that were first described by F. Edward Freeman, a professor at the University of Virginia. It concerns values and morals in operating a corporation, like those connected to the market economy, corporate social responsibility, as well as social contract theory.

As per Freeman 1984, the stakeholder perspective of the company is about a conceived view of how a corporation functions and makes value. With no stakeholder approach of the corporation, there is no Corporate Social Responsibility and vice versa; since enterprises cannot survive without the social sphere, society is not viable without business. As per the stakeholder theory, an individual who owns a stake in a company's operations, a "stakeholder," is eligible for treatment in certain respects comparable to stakeholders. Shareholders can therefore incorporate workers, consumers, stakeholders, distributors, the government, the surrounding community, society, financiers, special interest institutions, the environment, and technical advancement (Argenti, 1993). Freeman (1983) described a shareholder as any person or group who may impact or is impacted by attaining the company's goals.

The term "stakeholder" first emerged, in this meaning, in 1963 in an internal memorandum at Stanford Research Institute (Wang and Dewhirst 1992) and has from then become a major notion in the business as well as the academic realms. Ansoff (1965) could have been the very first to utilize the phrase "stakeholder concept" in outlining the company's aims. Palgrave (1992) describes a stakeholder as someone whose well-being is associated with a corporation. The term may relate to US colonial use where the act of striking a spike into the earth constituted a claim needing future explanation. Currently, the stakeholder concept offers a well-known and broadly recognized code of business ethics (Argenti, 1993).

The entrepreneurial stakeholder conceptual framework is currently being developed by the authors and partners of this blog, according to Laplume (2020). However, its roots go back to a discourse between Mitchell and Venkataraman (2002) over the correlations between the stakeholder approach and entrepreneurship. They were debating the differences between the stakeholder approach and business and strategy studies in terms of how money is produced and dispersed. The value production and distribution difficulties were independent, complementary, but distinct challenges for the author of the second piece. The stakeholder approach of business aims to address the issue of wealth generation and redistribution at the same time by integrating the two.

Frank Young's Theory

The theory was suggested by Frank Young (1991). It is different from many other theories of entrepreneurship since it objects to the idea that individual-level caliper and beliefs help develop entrepreneurship. According to Frank’s theory, entrepreneurship is not established by a person but rather by a group of businessmen since groups are better equipped to deal with difficulties. Each new industrial endeavor is a team effort rather than an individual one. Based on this theory, it is not possible to develop entrepreneurship tendencies by only paying attention to individual-level qualities (Nee and Young, 1991; Pawar, 2013).

Resource-based theory of entrepreneurship

To understand why some companies do better than others in a comparable corporate environment, Jay Barney (1991) created the resource-based perspective of the organization. Essentially, the resource-based approach asserts that a firm's competitive advantage is derived from its ability to effectively use physical and intangible resources. Machinery, technology, and even human resource management are examples of physical assets, while intangible resources include elements like proprietary information and the company's image.

First Mover Theory

This is a key idea in marketing advantage as well as a business strategy. First adopters may pre-empt valuable assets, acquire technology leadership, generate consumer switching prices, or even mould consumer tastes in newly formed sectors or product lines.
(Barney, 1997). Kerin et al., (1992), the study aims to illustrate the sequence of entry for items, trademarks, or enterprises and market dominance. According to the “first-mover advantage” argument, new entrants who enter a market segment first benefit from a variety of benefits, including increased brand recognition and an image for being creative. Brands may be established by followers, albeit at a higher cost. First movers, according to Teece (1986), are more likely to succeed if their competitors do not have access to the property rights, they need to duplicate them, or if they do not have the complementary resources (manufacturing, supply, and promotion) required to compete. Businesses are supposed to contrast and compare themselves with the existing corporations and match up to their capacity to be complete.

**Theory of disruptive innovation**

Bower and Christensen (1995) created the concept of disruptive innovation theory after researching the disk-drive industry (Christensen et al., 2015, Gobble, 2016, Kling et al., 2015) The trajectory chart generated in this industry is the foundation of Christensen’s theories (Christensen et al., 2015). The first interviews with the managers outlined the resource allocation process which favours innovation. When Christensen (1997) released the theory, his focus was on technological problems for the incumbent. He looked at how new technologies came to surpass the previously greater technology (Nagy et al. 2016). There has been criticism about the vagueness of the definition or assumptions, other aspects which have been discussed include the handpicking of case studies, not being subjected to peer reviews, and the quality of the research. Christensen (1997) was able to defend his criticism by explaining that while innovation may be disruptive for one group it could also be sustained for another (Adner, 2002; Christensen & Raynor, Danneels, 2004). Markides (2012) has supported the theory and he stated that disruptive innovation has been the strategy that led Japan to notable economic growth after World War II.

Innovation is the main driver for the growth of start-ups. The theory of disruptive innovation addresses innovation actions that have been introduced by start-up ventures. The following strategies initiate the growth of a start-up; introduction of innovative low-cost products that will satisfy the needs of customers, creation of new markets, or deployment of new business models (Christensen and Bower, 2018). The theory of disruptive innovation requires that start-up ventures who are innovative should develop new business models, create new markets, and low-cost products and enhance innovation. According to Alsaaty and Sawyer (2019), branding is also a business strategy to attract the attention of the population segment for a place, product, corporation, and start-up to achieve desired goals. The theory of disruptive innovation will address the issue of innovation in start-ups so that they can be competitive and enhance growth.

**Schumpeter’s Innovation Theory**

According to Joseph Schumpeter in the year 1999, innovativeness is crucial to economic transformation. According to him, an entrepreneur is defined by their ability to think outside of the box. A new product, a new source of supply material, a new technique of manufacturing, and discovering a new market are all ways in which an entrepreneur might transform the economy.

**Strategic entrepreneurship**

This theory was introduced as an intersection of strategy and entrepreneurship. It seeks both opportunities as well as a competitive edge at the same time (Ireland and Web, 2007). Entrepreneurs who are just starting do a good job of seeing possibilities, but typically fall short when it comes to building a competitive edge to match those benefits. Comparatively, whereas big stable firms are good at creating a competitive edge, they're not as good at discovering new possibilities. In order to take advantage of these opportunities, new companies must approach the market from a variety of strategic and creative angles (Zahra et al, 1999; Messeghem, 2003). Start-ups are these small and newer companies.

**Strategic disagreements theory of entrepreneurship**

This theory was introduced in the year 2007 by Steven Klepper. Strategic disagreements refer to disagreements between employees and managers regarding the prospects of new ideas or new projects. Conflicts about new ideas or initiatives are referred to as strategic differences of opinion between workers and supervisors. In other words, a worker may think that the company should invest in new technology, but management may decide against it (Thompson and Chen, 2011). However, a company's management may decide to use new technology, but its employees may not, feeling that using the existing technologies is more effective or efficient. This may happen in both directions. Whenever there is a difference of opinion, it encourages workers to go out on their own and create businesses. Firms typically generate more concepts than they can utilize, which leads to unavoidable strategic disputes. More diverse organizations may stimulate the exploration of an overly broad collection of initiatives and projects that might increase the likelihood of strategic conflicts. At the same time, more narrowly focused companies could create fewer spinouts.

**Individual ambidexterity and entrepreneurship**

Ambidexterity is the capacity of a company to be both efficient and adaptive in the face of today's shifting market conditions. According to Mom et al. (2015), individuals involved in exploitation and exploration activities are ambidextrous. Organizational adaptability, like being ambidextrous, demands companies to apply both exploratory and exploitative tactics to be successful. A company's capacity to both use and discover new information is its dual capability.
Empirical Studies

According to Vries, (2019) the growth of a successful start-up usually has three phases which include; the initial stage, which is characterized by slow growth or no growth; the second phase is rapid growth, a phase where the start-up figures out how to make something lots of people want and how to reach those people, the last phase is where the start-up will grow into a big company. The three stages produce an S-Curve. The stage that defines the start-up is the second one, the ascent; its length and slope determine how big the company will be (Vries, 2019). According to Salamzadeh and Kawamorita (2015), the term “start-up company” refers to a new company that is still in its infancy but has the potential to expand and flourish. A start-up’s life cycle is divided into three stages, each with a unique set of challenges: pre-start-up, seed-stage, and post-launch. The authors list these and other potential obstacles on the start-up’s path. Moreover, as argued by Pollman (2019), start-ups can expand with ownership shared by diverse stakeholders, and they face concerns that do not fit the predominant principal-agent concept of public organizations or the classic narrative of controlling investors in closely held corporations. Venture-backed start-ups involve diverse shareholders in overlapping governance responsibilities, leading to vertical and horizontal conflicts between founders, investors, executives, and employees. These tensions have a tendency to increase as the firm matures and improves the number of participants with varied interests and claims. This structure of start-up governance suggests new insight into issues of the current debate, including monitoring failures by start-up boards’ late-stage age governance complexity. It suggests that more attention should be paid to how corporate principles apply in the start-up context (Pollman, 2019).

Start-up firms across the globe face challenges in acquiring capital from the traditional financing models. Crowdfunding was identified as another source of financing for start-ups and has the capacity to bypass traditional methods hence realizing democratization of capital for economic, cultural, and social entrepreneurship. Crowdfunding in Kenya is in the early stages; hence it has not yet matured into a funding source for Kenya start-ups. Kenya is less developed in the crowdfunding ecosystem compared to South Africa. However, it is more developed in the crowdfunding ecosystem than Uganda (Vries, 2019).

According to Kim and Jeon (2018), Current developments of new enterprise start-ups have allowed the expansion of the design industry and created new opportunities for the conventionally small and non-specialized design enterprises. In this environment, design start-ups are rapidly growing in modern society, thus meeting consumers’ needs by developing innovative products, processes, and services. The study by Kim and Jeon (2018) found that idea commercialization is the most critical success factor as an innovation criterion among the success criteria of design start-ups. Entrepreneurial conditions, such as goal orientation and entrepreneurs’ competence, are essential for design start-ups.

Conceptualization of the Concept of start-ups

For over a decade, ‘start-ups’ have attracted the interest of researchers and policymakers. Earlier research classified start-ups primarily on the newness of their legal existence (Freeman et al., 1983; Hannan & Freeman et al., 1989). This definition has evolved however, prior to the 2000s, almost all research used “new” as the primary discriminator. This implied the formation of an altogether new enterprise that did not previously exist as an organization. While previous research focused on a start-up’s “newness,” recent scholarly research indicates a growing consensus that a start-up should be classified as innovative due to the increasingly complex requirements of both domestic and international markets, as evidenced by the shift in research definitions (Cho & McLean, 2009; Krejci et al., 2015).

Today start-ups are often touted for their ability to upset industries and establish new processes and products and their innovative spirit. There are specific parameters that can be used to define which companies are start-ups’. Still, the term start-up is mainly applied to companies in the tech industry performing ordinary tasks in a novel way or offering new services. A start-up is a company in the initial stages of business. Their initial stages are funded by founders as they try to attract additional funding through loans, venture capital, crowdfunding, friends, and family. Founders must also create a legal structure and determine their location. Start-ups have high possibilities of failure but offer a unique experience with great opportunities and benefits. Salamzadeh and Kawamorita (2015) observed that, the term “start-up company” refers to a new company that is still in its infancy, but has the potential to expand and flourish. A start-up’s life cycle is divided into three stages, each with its own unique set of challenges: pre-start-up, seed-stage, and post-launch. However, the majority of start-ups do not grow to maturity, they die in early stages of life cycle (KNBS Report (2020). The high failure rate can be attributed to several variables. Among the main issues is the lack of resources. Using the Resource-Based Theory as reference we place emphasis on the need for resources for businesses to achieve success.

It is important to note that the above definitions are based on the start-up’s western concept and might be flawed and poorly applicable to businesses in Africa. The African start-up must encompass the diversity of businesses in Africa. Furthermore the proposed Kenya Start-up Bill 2020, defines “start-up” as an innovative entity, legally recognized by the laws of Kenya, with solid growth potential and a disruptive economic model (Start-up Bill 2020). However, from the reviewed theories and the proposed Kenyan start-up bill 2020, it is clear that a start-up in the Kenyan context is any innovative business entity, which is scalable and has survived up to 7-8 years.
Implications

Given that many start-ups in Kenya die in their formative stages it’s important for the founders to look for local and international funding partnership to support their survival and growth. In addition, the founders should ensure they protect their innovations at the national and international level through registration of intellectual property rights. The government should come with start-up specific policies instead of generic policies which tend to protect the existing MSMEs. Moreover, Policymakers should promote start-ups through the formation of relevant legislation and provide incentives that stimulate the creation of new enterprises. The policies should allow start-ups to maintain control over their products and innovations to create value in different industries and markets.

The policymakers should develop policies that encourage and promote the use of technology for scaling up and support innovative ideas to encourage more start-ups to enter the market. They should also put in place a national and county incubation policy framework for the development of the business incubation sector and start-up ecosystem system in Kenya.

Conclusion

From the literature review it is clear start-up companies are newly born companies which struggle for existence whose entities are mostly formed based on brilliant ideas and grow to succeed. The life cycle of a start-up is in three stages: the strapping stage, seed stage and creation stage. Key features of a start-up include enterprise that is in the beginning of business where founders normally finance their start-ups and may also attract outside investment before they start growing. Hence a start-up in the Kenyan context is any innovative business entity, which is scalable and has survived up to 3-5 years. In Kenya Start-up is an innovative entity that is legally recognized by the laws of Kenya, with strong growth prospects and with a disruptive economic model (Start-up Bill 2020).

Using Schumpeter’s Innovation Theory (1999), a new product, a new source of supply material, a new technique of manufacturing and discovering a new market are all ways in which start-ups can transform the economy. Start-ups have a high risk of failing hence they need to be very unique and focus on innovation. The main challenges that the start-up face which include; financial, human resource, support mechanism and environmental elements this is with profit theory that states that start-ups reap benefits of uncertainty and risk. The business environment of start-ups keeps on changing; hence contingency theory will assist the start-up in responding to the uncertainties of its environment.

In the X efficiency theory, entrepreneurs are seen as input complementors and gap-fillers. The theory is in support of many start-ups in Kenya since they are supposed to fill a gap for in the market. The research further recommends that favourable government policies affecting start-ups on infrastructure, access to information, finances and business incubations will push Kenya to be an economic hub.

Limitation and Future Research Direction

This study conceptualized start-up in the Kenyan perspective, using secondary data, that data was not necessarily collected for the purpose of operationalizing a start-up and therefore future research should consider using primary data to collaborate or strengthen this understating. The current study used an exploratory research design whose main goal is to gain more insight into the start-up problem and has a weakness of not being conclusive in nature. Therefore, future research should consider using a research design which is conclusive in nature and robust like descriptive or explanatory research designs.

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