

Asserting and transcending ethnic homophily: How entrepreneurs develop social ties to access resources and opportunities in socially contested environments

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Funding information

Nederlandse Organisatie voor Wetenschappelijk Onderzoek; Netherlands Scientific Research Foundation

Abstract

Research Summary: In socially contested settings, it is often difficult to connect with (diverse) others, and it is unclear how entrepreneurs in these contexts may develop the social ties that previous research has shown to be valuable. We studied this subject matter in Kenya, an ethnically fractionalized society that recently experienced the decentralization of government, which required entrepreneurs to deal with both in-group and out-group ethnicities. We conducted an inductive case study of four Nairobi-based companies and captured the creative tactics that they used to *transcend* ethnic homophily (by defocusing from ethnicity and reframing the in-group) while also *asserting* ethnic homophily (by signaling tribal affiliation and leveraging others' ethnicity). We contribute to a deeper understanding of how and why entrepreneurs in socially contested settings develop social ties.

Managerial Summary: Entrepreneurs in socially contested settings rely on social networks to access resources and opportunities. However, it is unclear how entrepreneurs in these settings develop and use these networks. We studied this question in an ethnically fractionalized setting that recently experienced the decentralization of government:

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Kenya. Entrepreneurs who previously provided information technology (IT) services to the central government had to deal with both own-tribe and other-tribe contacts to receive new contracts. We studied four Nairobi-based IT firms that operated across a variety of counties and analyzed the creative tactics that entrepreneurs in this context use to cross ethnic divides while also working with own-tribe contacts. This contributes to our collective understanding of how and why entrepreneurs in socially contested settings develop diverse social ties to access resources and opportunities.

KEYWORDS

case study, emerging economies, networks, resource acquisition, Sub-Saharan Africa

1 | INTRODUCTION

Social ties are essential for entrepreneurs as they can enable access to information, opportunities, and resources (Hallen & Eisenhardt, 2012; Khavul et al., 2009; Kotha & George, 2012; Wang, 2020). Previous research on resource acquisition and tie formation in contexts of low social contestation has highlighted the value of diverse ties for accessing resources and opportunities (Burt, 1997; Hite & Hesterly, 2001; Zheng & Xia, 2018; Zott & Huy, 2007). An underlying assumption in this literature has been that the promise of economic gains smooths over potential dissimilarity challenges. However, in some contexts, such as socially contested settings (e.g., ethnic fractionalization in ethnically charged settings), this is not necessarily the case: Sociocultural pressures may outweigh economic considerations. This might lead dissimilar actors to potentially shun forming social ties with the focal entrepreneur, even in situations where forming ties would be economically beneficial (Alesina & La Ferrara, 2005; Easterly & Levine, 1997). This results in an inadequate understanding of how entrepreneurs in socially contested settings develop the (diverse) social ties that previous research has shown to be valuable (Barkema et al., 2015; also see Yenkey, 2015, 2018). Thus, our research question is: *How do entrepreneurs in socially contested settings develop diverse social ties to access opportunities?*

To address our research question, we selected Kenya, an ethnically fractionalized society in which over 40 ethnic communities compete for political and economic power. The country's major change in government—the devolution of government that was constituted in 2010 and implemented with the 2013 general elections—provided an intriguing context. Kenya, since its inception, has been characterized by historically determined patterns of ethnic land settlement, with an inequitable distribution of public spending and resources depending on which ethnic coalition is in power, particularly in the pre-devolution period (Dafe, 2009; Mudida, 2015; Robinson & Torvik, 2005). Devolution meant that the central government ceded control to local counties—47 newly established subregional units—in several areas, particularly those related to local revenue collection and purchasing decisions (Mitullah, 2013; Mudida, 2021; Njuguna, 2016). Ethnicity has always played a major role in Kenya (Yenkey, 2015). However, in our research, we observed that devolution at times reignited ethnic consciousness because of the perception that county resources belonged to (ethnic) communities living in the respective county. It also changed the customer structure of the information technology (IT) entrepreneurs whom we studied. They had previously worked with relatively pragmatic bureaucrats in the central government. Now, they were forced to work with (often tribally orientated) local



government officials who now had the power to make information and communication technology (ICT) infrastructure purchasing decisions. Our data show that this change threatened the entrepreneurs' business survival and required them to deal with both in- and out-group ethnicities to access resources and opportunities.

Thus, we encountered an “extreme context” (Eisenhardt et al., 2016) to study entrepreneurs' tie formation and resource acquisition strategies in a socially contested setting. Given the limited collective understanding of how entrepreneurs develop social ties in socially contested settings and that we were interested in *how* entrepreneurs develop relationships, we used an inductive qualitative research approach (Eisenhardt, 1989; Jack, 2010). Over a period of around 7 years, we collected data on four IT firms in Kenya. The IT industry is one of Kenya's most rapidly growing and important industries. Many entrepreneurs in this industry depend on the government not only as a regulator but also as a main customer, for example, in IT infrastructure projects. Devolution led to a digitization push at the county-level that opened up new opportunities for entrepreneurs (see below).

Our data points to unique tie formation strategies in socially contested settings. In their quest to navigate potential (ethnic) constraints and to obtain access to opportunities, the entrepreneurs used creative tactics that helped them *transcend* ethnic homophily (“similarity-driven mutual attraction”; Marsden, 1988; McPherson et al., 2001). They did so by defocusing from ethnicity and by reframing the in-group. They also used tactics to *assert* ethnic homophily by signaling tribal affiliation and leveraging others' ethnicity. These strategic choices were influenced by the entrepreneurs' prior experience with intergroup ties.

Based on these findings, we contribute to the entrepreneurship literature a deeper understanding of entrepreneurial resource acquisition and tie formation strategies (Hallen & Eisenhardt, 2012; Vissa, 2011; Zhang et al., 2016; Zott & Huy, 2007) in socially contested settings. We show that there are creative tactics that entrepreneurs in these settings use that modify and supplement approaches employed in contexts of low social contestation (e.g., Hallen & Eisenhardt, 2012; Hegde & Tumlinson, 2014; Ruef et al., 2003; Zhang et al., 2016).

In contrast to most entrepreneurs studied in prior research—for example, (minority) entrepreneurs in the Global North (e.g., Zhang et al., 2016) or entrepreneurs operating from a socially uncontested home base (e.g., Maurer & Ebers, 2006; Phillips et al., 2013)—the entrepreneurs in our study were operating in their own socially contested home country. We show how practices such as deliberate informal meetings with potential partners (e.g., Hallen & Eisenhardt, 2012) need to be modified and supplemented in contexts of social contestation as entrepreneurs need to navigate both intra- and interethnic ties in an ethnically charged setting to perform, which requires them to overcome distrust and creatively switch between ties. Thus, while prior research has provided important insights into the agentic actions of entrepreneurs (e.g., Vissa, 2011; Zott & Huy, 2007), it has underplayed the complexity of social actors' context, and our work fills a gap in showing how (and why) entrepreneurs manage to navigate contexts of social contestation.

More broadly, our findings elucidate how social actors such as entrepreneurs, nested in community identities, can adjudicate competing norms and expectations by both asserting and transcending ethnic homophily. We build on and extend studies that have shown that economic reasons can help overcome ethnic considerations (e.g., Benford & Snow, 2000; Reed et al., 2012; Yenkey, 2015, 2018), and reveal specific tactics entrepreneurs can use to both assert and shape categories rather than simply taking particular in-group/out-group categories for granted (Abascal & Baldassarri, 2015). This has major implications regarding our collective understanding of how social actors can navigate partisan divides productively—arguably one of the pertinent issues of our time.

2 | THEORETICAL BACKGROUND

2.1 | Tie formation and entrepreneurial resource acquisition

Prior research has shown that entrepreneurs can overcome resource challenges and access opportunities by developing social ties (Agarwal et al., 2020; Patel & Terjesen, 2011; Qin & Estrin, 2015; Webb et al., 2009), which can

provide access to information (Burt, 1997; Schutjens & Stam, 2003), social support (Busch & Barkema, 2019; Provan & Milward, 2001; Simarasl et al., 2022), and material resources (Batjargal et al., 2013; Bu & Cuervo-Cazurra, 2020). New ties often emerge from referrals from existing ties (e.g., Shane & Cable, 2002) or as the result of similarity-driven mutual attraction (“homophily”; e.g., McPherson et al., 2001; Ruef et al., 2003), both of which can increase (the perception of) trustworthiness and communication (Phillips et al., 2013; Vissa, 2011).

Homophily has been linked to higher levels of trust and solidarity (Bengtsson & Hsu, 2015; Hegde & Tumlinson, 2014) as well as reduced information asymmetry (Zhang et al., 2016). However, task complementarity—that is, overlaps between a focal actor’s task priorities and the resources potentially available from other social actors—can trump social similarity and incentivize entrepreneurs to connect with dissimilar others (Vissa, 2011). The potential trade-off then is between lower communication and transaction costs (social similarity) and the high-powered incentives and opportunities to meaningfully collaborate (task similarity); the respective prioritization can change based on the stage of the venture and its industry. For example, in early venture stages, social similarity might be more salient (e.g., Ruef et al., 2003), while in later stages, task complementarity might become more important (Vissa, 2011).

Usually, as ventures grow, the ability to develop more diverse relationships becomes increasingly relevant to accessing valuable resources and opportunities (Busch & Barkema, 2022a; Estrin et al., 2013; Stam et al., 2014; Tortoriello & Krackhardt, 2010), and entrepreneurs often shift from cohesive identity-based relationships and networks to more diverse economic networks (Hite & Hesterly, 2001). The literature has identified practices such as informal but deliberate, repeated meetings with potential partners prior to attempting to form a formal tie (e.g., Hallen & Eisenhardt, 2012) as effective means to develop new relationships.

However, those of other ethnicities than the dominant group often face greater challenges regarding acquiring resources such as financial capital than members of the dominant group (Kushnirovich & Heilbrunn, 2008). This often leads to the necessity of leveraging kinship ties (Kalnins & Chung, 2006). In the Global North, research has focused on immigrant entrepreneurship in countries such as the United States (e.g., Aldrich & Waldinger, 1990; Zhang et al., 2016). In the United States, ethnic minority entrepreneurs tend to be overrepresented when it comes to innovation-creating founders (Saxenian, 2006; Vandor, 2021). These entrepreneurs are often embedded in or benefit from same-kin networks (Kalnins & Chung, 2006; Zhang et al., 2016). Kalnins and Chung (2006), for example, showed that Indian immigrant entrepreneurs in Texas supported each other with resources such as information and cheap supplies even if they did not have prior (referral) ties in common. Similarly, Zhang et al. (2016) showed that Asian venture capitalists (VCs) were more likely than majority-group VCs to invest in Asian-led ventures. Yet, while ethnic group membership can provide benefits, it also poses the risk of reinforcing entrapment if the respective ethnic group is of lower status (Zhang et al., 2016), and there is the risk of over-embeddedness (Di Falco & Bulte, 2011; Granovetter, 1985, 1995). Potential related costs include limited information flow and insufficient access to resources (Khayesi & George, 2011; Kiggundu, 2002; Smith, 2009; Xiao & Tsui, 2007).

Thus, to avoid lock-in, entrepreneurs often branch out via means such as operating in mainstream markets and connecting with other groups (Ndofor & Priem, 2011; Zhang et al., 2016), relocating to other contexts (e.g., Granovetter, 1995), or constructing a shared narrative with individuals in other contexts who have similar migration experiences, traditions, or nationalities (e.g., Phillips et al., 2013). However, while prior literature has studied the agentic actions of entrepreneurs in accessing resources (e.g., Vissa, 2011; Zott & Huy, 2007), it has underplayed the social complexity of social actors’ context. While it has been shown that task complementarity can trump social homophily (e.g., Vissa, 2011), our work fills a gap in showing how (and why) entrepreneurs manage to navigate contexts of social contestation to access opportunities. In socially contested settings, intergroup tensions make it more difficult to bridge between groups (Alesina et al., 2003; Alesina & La Ferrara, 2005; Luiz, 2015; Touchton, 2013). This is particularly salient in tribalized contexts such as Sub-Saharan Africa, where the entrepreneurs whom we studied had to navigate both in-group and out-group dynamics in an ethnically charged setting.



2.2 | Ethnic fractionalization and socially contested settings

Ethnic fractionalization tends to be an important determinant regarding the economic and political well-being of societies and their citizens (Alesina et al., 2003; Alesina & La Ferrara, 2005). While a diverse ethnic mix can bring out a variety of experiences and abilities that may lead to creativity and innovation (Alesina & La Ferrara, 2005), ethnic fractionalization is often related to conflict and social contestation (Esteban et al., 2012; Yenkey, 2015). Societies that are more ethnically fractionalized tend to have more insulated rulers (Aghion et al., 2004), tilting the balance of power in favor of those who are part of the dominant group (Ellis et al., 2018; Luiz, 2015). Consequently, ethnic fractionalization has been linked to lower government efficiency, inferior provision of public goods, interventionism, politico-economic conflicts, and the development of extractive institutions (Alesina et al., 2003; Alesina & La Ferrara, 2005; La Porta et al., 1999). Thus, ethnic fractionalization is first and foremost about resource allocation and distribution, and shifts in external conditions (e.g., devolution of government institutions) can shift these dynamics to the local level (see below).

Membership in ethnic groups plays a particularly important role in ethnically conscious contexts such as Sub-Saharan Africa (Khayesi et al., 2014; Khayesi & George, 2011), where different ethnic communities tend to have their own indigenous languages beyond the national language. In these settings, which are common in many Sub-Saharan African countries, kinship extends beyond the nuclear family (Khavul et al., 2009; Mbiti, 1969; Smith, 2009; Yenkey, 2015). This broad understanding of kinship results in large social groups comprised mostly of kin members manifesting in large ethnic groups such as tribes (Yenkey, 2015). The term “ethnic group” refers to “a named social category of people...[who] see themselves as sharing cultural traditions and history that distinguish them from other groups” (People & Bailey, 2010, p. 389). Shared identity creates mutual understanding and goodwill among members, which encourages mutual support (Cropanzano & Mitchell, 2005).

In socially contested contexts, ethnic relationships are often essential for survival (Yenkey, 2015), as they can provide access to resources and other forms of support. The cognition of membership of a group and the value and emotional significance attached to this membership (“social identity”; Tajfel, 1978) stem from support and trust within the same ethnic group (Kalnins & Chung, 2006). This can be crucial for entrepreneurs given that their success often depends on accessing resources such as funding or advice (Vissa, 2011; Vissa & Chacar, 2009), and that relationships can facilitate or constrain social and economic activities (Adler & Kwon, 2002; Aldrich & Kim, 2007; Portes, 1981; Portes & Jensen, 1989).

However, while previous research has shown that social actors can connect with dissimilar others in contexts of high ethnic fractionalization by means such as cross-ethnic advertising (Yenkey, 2015; also see Benford & Snow, 2000; Reed et al., 2012), it is unclear how exactly entrepreneurs can navigate socially contested settings that require both collaboration and competition with both in-group and out-group ties. We know from prior research that entrepreneurs often develop diverse ties to access resources and opportunities (Maurer & Ebers, 2006; Tortoriello & Krackhardt, 2010; Zhang et al., 2016). However, interethnic tensions make it more difficult to bridge between groups due to factors such as distrust (Alesina & La Ferrara, 2005; Touchton, 2013), and it is unclear how entrepreneurs in socially contested environments may develop the relationships that the previous literature has deemed important.

We studied this question in an “extreme context” (Eisenhardt et al., 2016): an ethnically fractionalized setting that had recently experienced a major contextual change, namely, the decentralization of government institutions, which led to a redistribution of power and resources. This made ethnicity more salient and required entrepreneurs to deal with both in-group and out-group ethnicities to access opportunities and related resources (see findings section).

3 | METHODS

Our interest in how entrepreneurs develop relationships and the lack of our collective knowledge on how relationship strategies play out in socially contested settings necessitated using a qualitative, theory-building approach

(Eisenhardt, 2021; Jack, 2010). We employed a multiple case study design, as it is particularly effective for detecting underlying patterns and mechanisms (Flick, 2009). As a hub of entrepreneurial activity in Africa (UNDP, 2013) and an ethnically fractionalized country (Yenkey, 2015) that recently faced a profound institutional change that made ethnicity more salient, Kenya provided a fruitful “extreme context” (see Eisenhardt et al., 2016) for our study.

3.1 | Research setting

Since its conception, Kenya has suffered from inefficient government services and regulations as well as a lack of formal support structures (Hope, 2013; Yenkey, 2015). The implementation of the county government system—devolution—presented a major government change that was supposed to improve the situation (World Bank, 2014). In pre-devolution Kenya, centralized institutions were associated with exclusion and marginalization of certain regions. The decentralization of government took power away from the national government, and former local municipality governments were assembled into 47 new local governments, led by county governors. The national government ceded functions such as maintenance of main roads, healthcare, local revenue collection, and many major purchasing decisions to these counties (Constitution of Kenya Review Commission, 2005; Mitullah, 2013; Mudida, 2021; Njuguna, 2016).¹

This change happened in the context of an ethnically fractionalized society. According to the Planning Ministry's 2009 census, around 17% of the population was from the largest tribe, the Kikuyu, who controlled many of the economic and political institutions in Kenya. Two other large ethnic groups competed with the Kikuyu: the Kalenjin (13%) and the Luo (10.5%). Throughout its short history (Kenya gained independence from Britain only in 1963), these three tribes have competed for public and private sector positions. These positions control access to resources that could be redistributed among their respective ethnic groups (Wrong, 2009). Yenkey (2015) reports on the Afrobarometer survey in 2005, in which 70% of respondents answered the question, “How much do you trust Kenyans from other ethnic groups?,” with “Not at all” or “Just a little.” Posner (2004) rated the country as one of Africa's most ethnically fractionalized nations. In this context—in which (potential) ethnic conflicts were previously often latent rather than enacted (Yenkey, 2015)—devolution increased ethnic tensions (see below).

All in all, Kenya provided a fruitful context to study the tie-formation strategies of entrepreneurs in a socially contested setting.

3.2 | Sampling and data collection

To compare cases effectively, we focused on one sector (see Hallen & Eisenhardt, 2012), the ICT sector. We decided on this sector given that devolution led to a major digitization push at the county level to improve efficiency in areas such as county fiscal operations. This necessitated counties to invest into their ICT infrastructure—and to develop related relationships—to fulfill their new role. The ICT sector was also at the core of Vision 2030, the government's plan to turn Kenya into a competitive middle-income country by 2030 (Vision 2030 documents; own interviews).

We started by mapping the context based on information from public sources as well as local universities. To gain additional information about the context, we interviewed six experts from local incubators and government bodies. We also screened the existing literature on the local entrepreneurial context (e.g., Ogor, 2009). We tapped into a broad range of networks to identify and gain access to potential cases, including local universities (University of Nairobi and Strathmore Business School) and incubators (iHub and NaiLab). Our initial case selection focused on companies in the ICT sector that were founded before devolution, were located in the same country (Kenya), and were headquartered in Nairobi. From an initial list of ICT companies that we assembled from relevant local incubators and universities, we selected enterprises that focused on providing ICT services and were of the same nature



(for profit). Our interest was to select the cases to be as similar as possible in as many respects as possible to compare and identify underlying patterns (Flick, 2009).

Given our interest in entrepreneurial ventures, we selected founder-run companies (based on the classification of business founders as entrepreneurs; see Begley & Boyd, 1987) with a minimum of five employees and a maximum of 50 employees (this follows the accounting definition of “small enterprises”; e.g., Companies House, 2014). Based on this initial screening, eight companies that fulfilled these criteria remained. Three of the eight ventures remained unresponsive to our attempts to contact them; a fourth one first indicated interest but subsequently turned out to be unresponsive. Thus, to obtain access to sufficient data and based on a purposive sampling logic (Flick, 2009), we dropped these four ventures. The remaining four ventures formed our sample (Garg & Eisenhardt, 2017). All four ventures were based in Kenya's capital, Nairobi, operated across Kenya, and employed from five to 30 people at the time of our study. All companies had active founders with similar levels of education and socioeconomic backgrounds, representing typical cosmopolitan founders (Flick, 2009; Tortoriello & Krackhardt, 2010). All companies were founded before 2013 (i.e., before the start of devolution), and all provided ICT services. We covered the period from the organizations' inception until December 2018, and collected data for a period of 94 months (from September 2014 to July 2022).

In small entrepreneurial ventures, the founders tend to be responsible for external tie development (Maurer & Ebers, 2006), and in the Sub-Saharan African context, important relationships are rarely delegated to subordinates (Ogbor, 2009). Thus, our focus was on the ventures' founders, who usually constituted the senior team (the entrepreneurs). Insights from our preliminary interviews concurred with findings in the literature on businesses in Sub-Saharan Africa (e.g., Ndemo & Weiss, 2017; Ogbor, 2009; Vorobyov & York, 2017), namely, that the founders were in charge of important external relationships, for example, with key government officials. We thus conducted interviews with all active founders.

Following the logic of theoretical sampling (Charmaz, 2006), we then spoke to other main protagonists who appeared relevant to our study. The interviewees whom we identified via a snowballing approach (Morgan, 2008) included senior advisors and software leads. However, those discussions often did not result in much relevant information beyond broader insights (particularly once our focus shifted toward ethnic ties). This point was illustrated by the software lead at IcTech, who was responsible for executing the firm's IT projects. He stated that “from the point I come in, networks are usually already established [by the founders]...I go where I am required.” The founders substantiated this insight; for example, the founder of PayTech told us that “in relations with outside partners, I am the main link.”

Still, we interviewed all members of the ventures' senior management teams in person (in two of the companies, the senior management team was founder-only). We also interviewed major stakeholders who had an understanding of the broader context of the ventures, such as government officials and ICT council members (see Table 1 for an overview).

Initially, we were interested in the effect of devolution on entrepreneurs, and round 1 of interviews focused on the nature of the contextual change and the general tie-formation strategies of entrepreneurs. The initial interviews and discussions with local experts (e.g., team members of local incubation centers in Nairobi), as well as previous research on related topics, helped us frame the topic guide. Example questions included, “What have been the implications of devolution on your business?”; “Which of these changes have been the most relevant for your business?”; and “Has your company made any specific changes to respond?” The questions to experts and general stakeholders (e.g., local academics) followed the same framing but were formulated slightly differently (e.g., “Which of these changes has been most relevant for the IT sector?”). Our questions were semi-structured, theoretically sensitized by the literature, yet open enough to allow for new ideas, concepts, and constructs to emerge. To allow for retrospective inspection, we made explicit references to key events (Flick, 2009). The recorded interviews lasted 40–90 min and ranged from nine to 28 pages per transcription, depending on the ability and willingness of the participants to share information.

What increasingly emerged from our data was the important role of interethnic relationships. Thus, we revised our topic guide to reflect the emerging insights (Flick, 2009), and focused round 2 (2016), round 3 (2018), round



TABLE 1 Overview.

Company name	HQ	Ethnic affiliations	Services	Number of employees (incl. freelancers)	Founding	Situation in 2018	Informants ^a	Additional data (per company)	Additional data: Context (relevant to all companies)
GenTech	Nairobi	Founder: Kikuyu (Wife: Luo); Social Media Lead: Kikuyu (Wife: Mixed Heritage Kikuyu, Kamba, Digo)	Provides organizations with ICT infrastructure	18	2005	Still in business	Founder (3x); Software/social media lead (2x)	23 pages of archival data	
ICTech	Nairobi	Cofounder 1: Luo (Wife: Kikuyu); Cofounder 2: Kikuyu (Wife: Luo)	Supports organizations with payment integration	15	2004	Still in business	Cofounder 1 (4x); Cofounder 2 (2x); Software lead (1x); Advisor (2x)	61 pages of archival data; company brochure	Archival data: Internal county integrated development plans (Homa Bay, Taita, and Nairobi); incubator database; university database; publicly available information
PayTech	Nairobi	Founder: Kikuyu (Wife: Kisii)	Provides organizations with general ICT services	7	2007	Still in business	Founder (3x); Senior advisor (2x); Incubator partner (2x)	18 pages of archival data	Additional interviews: Four local incubation managers; two local academics (2x); one former federal government minister; one county government minister; one local government worker; six local entrepreneurs; four investors; two members of ICT council
PlatTech	Nairobi	Founder: Meru (Wife: Luo)	Provides organizations with ICT platforms and related market intelligence	20–30	2005	Still in business	Founder (3x); Senior advisor (2x)	32 pages of archival data	Observations: Informal observations during our site visits.

^aIn brackets: Number of interviews.



4 (2021), and round 5 (2022) of our data collection efforts on (interethnic) relationship dynamics. We reinterviewed all founders as well as other individuals who offered insights related to relevant relationships. In total, we performed 49 interviews with 34 respondents.

While our respondents' answers steered us toward the importance of tribal dynamics, they were very hesitant to share in-depth information about these dynamics. The topic of ethnicity is a sensitive one in Kenya, and building trust with study participants was a challenge. It took us a long time to establish the necessary trust needed to discuss these issues more openly, and we approached these questions with caution. For example, some entrepreneurs initially indicated that ethnicity was merely one among many factors; however, the more we focused on concrete events (e.g., how a particular county contract was made possible), the more clearly the role of ethnicity, particularly in the rural county context, came into the open. We incentivized openness and addressed informant bias by promising confidentiality and asking courtroom questions that focused on factual accounts (Hallen & Eisenhardt, 2012).

We triangulated these interviews with archival data and internal documents (Yin, 2003). In addition to company documents such as growth plans, we had access to internal databases (e.g., an overview of ICT companies) of a local university and a local incubator. Due to strong relationships with local government officials (one of the coauthors is Kenyan with ties to central government and county government officials), we received access to the internal development plans of three counties in which the companies operated: Homa Bay, Nairobi, and Taita. These documents detailed the counties' long-term plans as well as potential opportunities and constraints for entrepreneurs (e.g., planned investments into ICT infrastructure and services). However, given the political nature of these documents, we treated those and other documents not as information containers but rather as effective means for contextualization (Flick, 2009).

Our final sample consisted of four IT companies that had their main operations in Kenya. Table 1 provides an overview.

3.3 | Data analysis

To understand the nature of the emerging strategies, we composed individual accounts of the respective cases (Eisenhardt, 1989, 2021). We then identified core concepts and emerging themes, first within the cases and then across cases. We started with *in vivo* coding (Strauss & Corbin, 1990), that is, capturing the language used by the informants and simple descriptive phrases (e.g., "having someone on the team who can play the ethnic card"). Then, we assembled those into second order (analytical) themes (e.g., "leveraging others' ethnicity"). Finally, we aggregated those into broader theoretical dimensions that formed the basis for our emergent framework (e.g., "asserting ethnic homophily"). We proceeded in both a theory- and data-driven manner, and the existing literature helped us imagine potential demarcations without imposing them (Flick, 2009). We focused on the most surprising emerging mechanisms by putting the data into piles (e.g., overarching mechanisms) and sub-piles (e.g., tactics used) related to our research question. We used between-case analysis to detect similarities and differences across cases, and employed a replication logic to test emerging theoretical constructs and relationships (Flick, 2009). This allowed us to arrive at a more structured understanding of patterns related to the entrepreneurs' behavior.

To address the challenge of potentially unlimited coding options, we used our research question and the literature to imagine potential demarcations without imposing them, and we later integrated those with the broader entrepreneurship literature. Initially, we each coded the data independently from each other and, in most cases, arrived at similar insights. We resolved differences in substance and labels based on frequent discussions among ourselves and, increasingly, with participating entrepreneurs as well as experts such as local incubation center managers. We performed several coding iterations to reflect the new data and insights (Bingham et al., 2015). Tables 2–4 illustrate representative quotes related to the emerging concepts.

Our respondents represented a broad range of tribes, including Kikuyu, Luo, and Meru, and it is unlikely that our backgrounds (one author is mixed-heritage Kenyan, and one author is of European descent) had an impact on informants' decision to participate in the study or on the nature of their comments. However, given the sensitivity of

TABLE 2 Representative evidence for *contextual challenges*.

GenTech	<p>Changes in customer structure. Observation: The company had its primary base in Nairobi but also started doing work in the counties.</p> <p>“The county offices tend to have less qualified and less experienced staff... they don't know half the stuff that you are talking about. The decision-making process becomes very slow, and sometimes when they make the decision, it's ill-advised... that's a problem I never used to experience before. At least most IT professionals in central government have had a lot of experience and are highly qualified, because getting those jobs was much more competitive” (Founder).</p> <p>Increased ethnic salience. “Nakuru, besides Nairobi, I think Nakuru is better. Mombasa is also better, [and] Machakos. Those are the exceptions...those places also tend to be a little more cosmopolitan. But if you go to a county which does not have a major town to speak of, there's very little integration.” (Founder).</p>	PayTech	<p>Changes in customer structure.</p> <p>Observation: The company had its primary base in Nairobi but also started doing work in the counties.</p> <p>“We're now working with the counties; that's where the business is when it comes to government” (Founder).</p> <p>“Now you have all these different counties that you can go into. It's a lot of opportunity but also a lot of challenges” (Founder).</p> <p>Increased ethnic salience. “You find that some tribes get more jobs. If you know someone, for example, a procurement officer, and he knows that you are from a particular community, sometimes you get more jobs” (Founder).</p>
IcTech	<p>Changes in customer structure. Observation: The company had its primary base in Nairobi but also started doing work in the counties.</p> <p>“Because counties are looking to automate revenue collection, counties are looking to try and leverage technology to be able to meet their key performance indicators, to be able to meet their reporting requirements to central government” (Cofounder 1).</p> <p>“It has opened up opportunities because we've also had the opportunity to talk to different county administrations. I would never have traveled to Taita if we had a central government. For what reason? To what end? I feel that it [devolution] has opened up a lot of space for us to grow and the people we are meeting” (Cofounder 2).</p> <p>Increased ethnic salience. “In devolved environments, a lot of things have been localized...It all depends on the relationships. In a tribal society such as ours, that carries a lot of weight, people feel that they will give the work to one of our own. They say, why should they support someone else” (Cofounder 1).</p> <p>“In the county government, they would like to see a certain ethnic color, for instance within certain positions” (Cofounder 1).</p>	PlatTech	<p>Changes in customer structure.</p> <p>Observation: The company had its primary base in Nairobi but also started doing work in the counties.</p> <p>“You can [now] go and talk to the minister of health in Homa Bay County...It's a senior level official. And that person has a budget, has resources. If you need something done you can go to them, you'll actually get the work done...Before, that was not the case...you'd have to go through the Ministry of Health in Nairobi, and then be referred to [the relevant person]” (Founder).</p> <p>Increased ethnic salience. “Devolution meant that your family or friends, someone will be somewhere relevant [in government], and they will prefer who they know” (Founder).</p> <p>“It has always been fluctuating how important ethnic affiliations are. Often after elections it can be much more in the spotlight. And now with devolution, it is something we talk about more again” (Founder).</p>

TABLE 3 Representative evidence for *asserting ethnic homophily*.

GenTech	<p>Leveraging others' ethnicity. "I always try to go through a referral...for example, I have a very good friend who is from Homa Bay [a county run by Luo]...it's a small town so people know each other. Whenever I [a Kikuyu] go for a meeting, I usually go with him" (Founder).</p> <p>"You realize you need to partner with someone else based on their strength, or even their 'locality'" (Software lead).</p>	PayTech	<p>Leveraging others' ethnicity. "If I am having a challenge in getting into the county she comes from, I can request my romantic partner who is from the same tribe to approach the county on my behalf, so that we are able to overcome the challenge" (Founder).</p> <p>"Let me take a place like Nakuru or something: you'd find there are many tribes...so sometimes you would find [that] if a governor came from one side, maybe try to have more people from his tribe [on your team]" (Founder).</p>
	<p>Signaling ethnic affiliation. "When dealing with the Luo, I [Kikuyu] usually translate my name [Kikuyu name] to [Luo name]. I find that many of them call me [Luo name]. That helps a lot" (Founder).</p> <p>"Whenever I [Kikuyu] am doing business with the Luo communities it helps that my wife is Luo...I can mention that my wife is Luo, my first born is called [Luo name], and my second born is called [Luo name]. That usually does wonders for me" (Founder).</p>		<p>Signaling ethnic affiliation. "It's important to show you're from the same tribe if it's your tribe [that runs the respective county], you know. You need to make use of this, to show this, that's just how it works." (Founder)</p> <p>"Tribal affiliation is important in the counties [and] we need to show we belong" (Founder).</p>
IcTech	<p>Leveraging others' ethnicity. "We've taken a back seat and have primarily made them [local tribe partner] technology partner and let them handle the politics at the front" (Cofounder 2).</p> <p>"Winning the contract is one thing but being paid is another...I did this through other consortium members that leveraged their ethnic affiliation. We were able to build bridges with the officers" (Cofounder 1).</p> <p>"We can basically just leverage on different strengths, and possibly just give a unified approach, pool resources. We had to forge links among each other. Maybe they were competitors before" (Cofounder 1).</p>	PlatTech	<p>Leveraging others' ethnicity. "It [devolution] demystifies what the government is, and it makes it easier for you to access services and to get to know what's going on...we leverage that with the people we know" (Founder).</p> <p>"We partner with people that can tie into the local group, somebody who's strong in that context because they are part of their group" (Founder).</p>
	<p>Signaling ethnic affiliation. "I don't like the case whereby I have to speak my mother tongue, but if that is what it takes, that is not too bad to show loyalty? For the same emotional connection. But I do not have that kind of loyalty to the same tribe" (Cofounder 1).</p> <p>"Ethnicity plays a part because of the emotional part that ethnicity gives. It is like an old boys' network. Everywhere you go in life, people want to hang out with people they are culturally familiar with. In our context, generally it is ethnicity, unfortunately...in our networks, we try to at least have someone who can play the ethnic card, if called upon. Very unprofessional, true, but it works" (Cofounder 1).</p>		<p>Signaling ethnic affiliation. "I found that ethnicity can be a helpful thing when certain things need to be fast-tracked...You have a conversation with the contact person, and they feel like they can relate to you because of your ethnicity. That kind of helps. I don't know if it is a good thing, but it has worked in the past" (Founder).</p> <p>"I would identify someone who is from my ethnic group and point out that I have relatives who are from central Kenya, or Luo, and that gives a sense of trustworthiness to me as an individual, which then scopes up a lot of work. I have found that has been helpful" (Founder).</p> <p>"You show that you are part of the same community, like with speaking your mother tongue" (Founder).</p>

TABLE 4 Representative evidence for *transcending ethnic homophily*.

GenTech	<p>Defocusing from ethnicity. “One of the tactics is: putting the value of business ahead of everything else. For instance, if I am dealing with someone from a different tribe, where I know the tribe might interfere, I try to make it clear what the value of the business is, so that right from the start the person is thinking of the benefits we might provide. That kind of takes the focus off ethnicity. To avoid the small chitchat to begin with, as that tends to happen better if you are from the same ethnic group” (Founder).</p> <p>“We strive to engage in business based on merit, an open mind, and good business ethics for the betterment of all involved. With this as a guide and in hindsight, we’ve managed to engage with people from a majority of the ethnic groups and have formed long lasting bonds and relationships even from the so called ‘conflicting tribes’” (Social media lead).</p> <p>Reframing the in-group. Observation: Engaged people in joint activities such as sports.</p> <p>“Making the whole team realize that the next member of the team is more than an ethnic difference, and that we can be above that dynamic helps. Opportunities brought about by each member are also lauded, showing that there’s no favoritism within the team” (Social media lead).</p> <p>“When I’m in a county, I look for a shared interest. I think about what it is that we have in common, like: we both want something, and we just have to find it” (Founder).</p>	PayTech	<p>Defocusing from ethnicity. “Mostly it’s just demonstrating what you have; show them the value, then they can buy it. When they see something that no-one else is offering...they grant you an audience and eventually buy into the concept” (Founder).</p> <p>“We focus on business value over others. Once you go in to get a contract, you show them what the product can do and why it’s better. Then they are more open and willing to look at the direct value and not other considerations that often get in the way of doing business, like the tribal affiliation” (Founder).</p> <p>Reframing the in-group. Observation: Focused on cosmopolitan business communities and tended to frame relationships around shared interests.</p> <p>“What do we have in common? We look for ways so we can say, ‘here’s what we really have in common’ that is different from our tribe. When it’s about building something together that brings value, and we rally behind a vision that we share” (Founder).</p>
IcTech	<p>Defocusing from ethnicity. Observation: Focused on developing relationships with cosmopolitan partners (e.g., in Nairobi and internationally) by focusing on product value. This for example, meant “focusing on competence” (Cofounder 1), which included the acquisition of as many technological certifications as possible to signal competence as strongly as possible.</p> <p>“We made a collaboration with a business school happen, which made it easier to get away from the tribal gymnastics when we go to counties. They [business schools] are perceived as neutral intermediary; that helped us with contracts” (Cofounder 1).</p>	PlatTech	<p>Defocusing from ethnicity. Observation: The team highlighted the value of its products in conversations.</p> <p>“Moving away from an ethnic basis to more of an economic basis” (Founder).</p> <p>“We highlight what’s the real benefit for them” (Founder).</p>

TABLE 4 (Continued)

Reframing the in-group. Observation:

Founders were an active part of several intertribal entrepreneurship groups.

“Something that we’ve done to get contracts is to focus on political alignment, on the political machinery behind the candidate. We mapped the county, who’s the ruling party there, and then we accentuated or tempered political discussions depending on the party that is in power. That helped us build a new group of same-interest people who have similar political views. Even if it’s from different tribes, we might still prefer the same political issue, or even political party. But we have to be careful—these strategies have short legs if we forget the big picture, then it gets petty. It’s a complex balance and always needs a focus on getting things done” (Cofounder 1).

“We refer each other, give business opportunities to each other...It is a [non-ethnicity-based] ‘tribe’ because we are like-minded” (Cofounder 2).

Reframing the in-group. Observation: The company used communities such as church communities and the local choir to meet based on a shared interest basis.

“A lot of people who I knew in church would also give me referrals... because guys know who you are and what you’re doing...you end up getting referrals from that social setting sort of like by default, because people know who you are. But I think it was partly the fact that I was very active in that community” (Founder).

“I’ve gotten new work when I’m doing extracurricular activities. Like when I’m on the golf course. I play golf because I like the game, but then it turns out that a person can be someone who wants to make a contract. It’s the same when you join an auto club or a karaoke club, it helps you make the bond that makes the contract, without directly pushing for the contract—when someone sees you with their hair down, they trust you more” (Founder).

ethnicity-related questions, a key concern was anonymity, and to incentivize open information sharing while preserving the richness and trustworthiness of the interview material (Saunders et al., 2015; Scott, 2005), we agreed to anonymize the companies' names.

We increased trustworthiness in several ways. First, we triangulated types and sources of data, namely interviews with county development plans, internal documents, and observations (Denzin, 1989; Flick, 2009). Second, we coded independently, discussed the codes, and usually overlapped in their assessments. Whenever we did not agree, we discussed and resolved. We consistently challenged each other and developed the codes in an iterative process. Third, to improve accuracy, validity, and completeness, we discussed our data and findings with (1) two of the participating entrepreneurs (member check), (2) two leading scholars, and (3) two local experts (see Flick, 2009).

4 | FINDINGS

In the following, we first discuss the contextual challenges that arose, and then focus on the emerging firm strategies.

4.1 | Contextual challenges

Devolution threatened the business survival of the companies in our study because it changed firms' customer structure, which made dealing with both in-group and out-group ethnicities in ethnically charged county settings necessary. Below, we discuss these contextual challenges.

4.1.1 | Changes in customer structure

Devolution increased the complexity of the environment in which government-related ICT services were delivered. This was because the shift to counties as primary points of contact led to a shift from a single customer (central government) to multiple (county-level) customers. An advisor to PlatTech stated as follows:

Before devolution, you would walk into one ministry, talk with one person, and then roll out something nationally. Now you have to walk into 47 [number of counties] offices, and then you need to close the deals one by one.

This was an important change for the companies in our study as “many of our revenues came from central government, and we can only thrive if we have access to those contracts, [which are] now on the local level—this has brought major ambiguity” (Founder, GenTech).

This ambiguity entailed both opportunities and challenges. The founder of PayTech—who in our follow-up interviews started to become disillusioned by the resulting complexity—highlighted that “there are now 47 more opportunities you can tap into.” This is because the counties now had new, large budgets for ICT infrastructure and services, which increased the potential market of the entrepreneurs in our study:

There are people [in the counties] who never used computers...but now that they must have computers, they must log in somewhere, they must do a lot of things online, and the offices have to be equipped. ICT firms [like ours] are providers of technology, whether it's that you are providing payments... [or] data centers; we have seen a lot of [new] business opportunity. (Cofounder 1, IcTech)

Thus, changes in customer structure opened up new business opportunities in the counties. To access these opportunities, the entrepreneurs had to reach out to government officials in the counties, who were often from tribes other than their own. This made both in-group and out-group tie formation in a context of increased ethnic salience necessary. However, as we discuss below, local county officials “with very little experience” (Founder, GenTech) in assessing complex IT projects made selling based on product features more difficult, and vendor reliability was often judged via means such as tribal affiliation.

4.1.2 | Increased ethnic salience

Ethnic fractionalization based on ethnic community association has always played a role in Kenya. However, the entrepreneurs in our study previously had been less affected by ethnicity issues in their day-to-day operations as they had focused on the cosmopolitan Nairobi central government environment, where often pragmatic bureaucrats made purchasing decisions. Now, they had to navigate counties in which tribalized local government officials tended to be the decision makers. In contrast to central government bureaucrats (who were often trained in more diverse cosmopolitan settings), government officials on the county level usually had less previous exposure to diverse groups and tended to be deeply embedded in their respective ethnic groups. Local politicians also often had an incentive to signal to their local voters (often from the same or befriended tribes) that they protected tribal interests. A local government worker highlighted that “when you are in politics and you want to be elected again, you better help the people who elected you, especially in rural [areas], people who [elect you] come from your tribe, or from tribes that are friendly with you or your tribe.” In fact, all founders in our study highlighted that county officials tended to prefer working with people from their own tribal networks and that contracts were often given to same-tribe contacts.



Our data show that as ethnic groups captured county governments, devolution reinforced ethnic divisions and brought them out in the open, thus making them more relevant to the entrepreneurs' day-to-day business transactions. GenTech's founder, for example, discussed that the counties were “just basically divided according to the tribes [except for] cosmopolitan areas.” In a similar vein, cofounder 1 of IcTech discussed that “the county governments are unfortunately for the most part tribal cocoons....many of those communities were disenfranchised, and many of them felt marginalized. They said, ‘now it's our turn; it's our way, we want these resources.’” We captured these developments as *increased ethnic salience*, which we define as “fortifying the tendency of ethnic fractionalization.” Importantly, in more rural areas, this played a more important role than in cosmopolitan areas such as Nairobi.

In all, due to these contextual challenges, the entrepreneurs in our study were under pressure to develop diverse social ties and to deal with both in-group and out-group ethnicities to develop business opportunities. Table 2 provides additional evidence.

4.2 | Firm strategies

In their search for opportunities and related resources, the entrepreneurs in our study focused on developing ties with relevant county officials. They used creative tactics to both *assert* and *transcend* ethnic homophily.

4.2.1 | Asserting ethnic homophily

The entrepreneurs in our study asserted their tribal affiliations whenever necessary. Often, this happened organically, for example, by recognizing each other's last (tribe-based) names. The founder of GenTech (a Kikuyu) illustrated this:

In some situations, I meet people who quickly open up to me because we are both Kikuyu. It isn't necessarily a negative thing. If someone feels that you understand where they are coming from, then you don't need an introduction nor to oversell the value of what you are trying to provide. They quickly feel like they can open up and talk to you...[For example], I remember I went to Kiambu County [dominant tribe: Kikuyu] for a meeting; information was volunteered to me very quickly.

However, often—especially in ethnically charged counties—the entrepreneurs used more active tactics. Two dimensions emerged from our data: signaling ethnic affiliation and leveraging others' ethnicity.

Signaling ethnic affiliation

The entrepreneurs in our study faced the challenge that “in this country, it is very difficult to win a tender fully by merit...everyone will default to a survival mechanism where you try to build informal networks” (Cofounder 1, IcTech). Thus, to get access to opportunities in settings in which their tribe was in power, the entrepreneurs often signaled their tribal affiliation. One tactic that the entrepreneurs used was to highlight their tribal affiliation verbally, for example, by using their mother tongues on the phone even if the official language (English) would be the norm—“it shows you are part of the community that is in the county government” (Founder, PlatTech).

Other tactics that emerged from our data included random birthplace mentions in conversations to signal the respective ethnic affiliation (e.g., Founder, GenTech). Given the focus on making people aware of—and subsequently connecting with them based on—ethnicity, we labeled this dimension *signaling ethnic affiliation*.

Leveraging others' ethnicity

The entrepreneurs in our study also leveraged the tribal affiliations of people close to them whenever necessary. Cofounder 1 of IcTech said that “in our context, generally it is ethnicity, unfortunately...in our networks, we try to at least have someone who can play the ethnic card, if called upon.” Given the increased ethnic salience, entrepreneurs employed particularly creative tactics, such as using relatives, team members, and friends from other tribes to develop relationships. The founder of GenTech (a Kikuyu) gave the example of calling his wife (a Luo) when he was in a Luo-dominated setting, using a few Luo words loudly enough so that they could hear him, which “makes business easier.” The founder of PayTech—a Kikuyu as well—highlighted that whenever he was not from the same tribe as the potential customer and all other means failed, he leveraged the tribal affiliations of his romantic partner, a Kisii. For example, for one contract, he sent her to a Kisii-dominated county on his behalf “because her reference is as good as going to the bank.”

In addition to leveraging the ethnicity of family members, friends, and team members, companies such as IcTech gained contracts by developing consortia with partners from other tribes. The cofounder of IcTech discussed how they gained a recent county contract:

[We] team up with people who have experience with the [counties and favorability in the counties because, truth be told, counties come with challenges such as nepotism, tribalism. That happens, it's no secret. So, it's better to partner with [a] company...that will get their foot in the door better than you. (Cofounder 2, IcTech)

These consortium-building efforts often involved finding a partner locally that was interested in a particular project and was able to collaborate on a particular tender or make presentations to key decision makers. The entrepreneurs found these potential partners via means such as direct referrals, WhatsApp groups, and Twitter. These efforts allowed the entrepreneurs to gain access to a broader range of opportunities and to “win over our rivals” (Cofounder 1, IcTech). Cofounder 1 of IcTech (a Luo) stated:

We worked on the projects with the members of the ethnic groups that were predominantly from the community in the area that the county government was administering. For example, in a Kikuyu community, that helped build rapport with people in the group. And likewise, in the Taita constituency, we had someone from the area, a liaison between us and the county administration. The outcome was positive, as we were able to communicate effectively and win the contract, because we had someone trusted by the administration.

Thus, the entrepreneurs leveraged the tribal affiliations of others, such as relatives, friends, or business partners; we thus labeled this dimension *leveraging others' ethnicity*.

To summarize, the entrepreneurs in our study leveraged same-tribe dynamics when necessary by signaling tribal affiliation and/or leveraging others' ethnicity. The literature has referred to the tendency of people to bond with people like them—usually related to gender, class, or ethnicity—as homophily (Marsden, 1988; McPherson et al., 2001). We thus labeled this mechanism *asserting ethnic homophily*, which we define as signaling tribal affiliation with and to contacts similar to oneself. As we discuss below, in contexts of low social contestation, entrepreneurs tend to move away from cohesive identity-based networks to more diverse economic networks (Hite & Hesterly, 2001; Maurer & Ebers, 2006). In contrast, in this setting, the socially embedded (ethnicity-based) logic continues to play a major role, thus necessitating *asserting ethnic homophily* at scale. Table 3 provides additional evidence.

However, while the entrepreneurs did assert ethnic homophily, they shied away from what they considered in-group corruption (e.g., illegal behaviors such as paying bribes and receiving a contract just because of the bribe, not the service rendered), even if it meant losing a contract. The founder of IcTech mentioned an example:



We could have gotten a contract just based on the relationship, but we knew that it would have crossed a line. So, we didn't do it. And we lost the contract. To me it's important that even if you use your ethnic group, you still have to be professional and deliver. If that's not the case, it's corruption. Personal connections are great to get the meeting, but you have to go through the process and be ethical.

4.2.2 | Transcending ethnic homophily

In their quest to navigate ethnic divides and access opportunities across counties, the entrepreneurs in our study often defocused from ethnicity and reframed the in-group, as we discuss below.

Defocusing from ethnicity

To defy the constraints of ethnic boundaries and open up new opportunities, the entrepreneurs in our study used a number of tactics. Given that last names tend to indicate the respective individual's tribe, one tactic was to blur ethnic boundaries by substituting ethnic names with first names. Cofounder 2 of IcTech discussed an example:

There are a number of social networks that I am in—for example, on WhatsApp—strictly for business. I started seeing some biases in these networks, for example, someone would be looking for a caterer but would insist that they should come from a particular tribe. Because of this, I have resorted to using my first name in most first-hand interactions, rather than my ethnic name.

A related tactic was to avoid small talk and focus on product benefits instead. The founder of GenTech explained that “if I am dealing with someone of a different tribe, where I know the tribe might interfere, I try to make it clear what the value of the business is.” The founder of IcTech explained that he focused on obtaining “as many good technological certifications as possible, so that I when I go to the county, it's less about the tribe and more about that we have established a wealth of knowledge. That has helped override tribal allegiances in the county we worked with, because they were so impressed by the qualifications.” In the case of IcTech, a publicly visible collaboration with a business school proved to be crucial as “they are perceived as neutral intermediary” (Founder, IcTech).

The focus on business value—and more broadly, the self-interest of their county counterparts—also manifested itself in other ways, as the founder of GenTech explained:

When I need to get a contract, I often focus on something else that they want that I have access to from somewhere else. It makes me a bridge between business in one county and another network that I'm part of. For example, in one county where there was a different tribe, they were trying to run a program to promote small and medium sized enterprises—SMEs—in that county. They needed data and to work with organizations that have experience in preparing programs for SMEs. And I happen to have that exposure in another county, and on my platforms. So, I went to them and said, “I want to do business here, I know that you're preparing for this program, and know you have those challenges. I can give you the analytics; I can give you access to a group that works on this.” So, it was a “barter trade,” it opened up networks for them, and they were willing to open up the opportunity I wanted to work on in exchange. This helped me to get a contract in this county, and also in other counties. I come with value in different areas; then, when they're from a different tribe, it's not a standoff, but it's laser-focused on their self-interest. When I offer them a solution to another problem they also have, then the tribal lines immediately disappear; now we address the same problem, and they open me doors. (Founder, GenTech)

Similarly, to appeal to the self-interest of the respective county officials and to be on their radar for whenever a project would come up, other entrepreneurs offered pro bono consulting on issues that they knew the counties

faced. Thus, the entrepreneurs often attempted to blur ethnic boundaries via means such as avoiding last names, focusing on product benefits instead of ethnicity, or creating value beyond the respective project itself; we thus labeled this dimension as *defocusing from ethnicity*.

Reframing the in-group

In addition, especially when they were not of the same tribe as their (potential) customers, the entrepreneurs attempted to shift the idea of the in-group away from ethnicity to communities of faith or interest. At GenTech, this reframing included a focus on sports and related areas. Its social media lead, for example, discussed that an in-group orientation “can either be achieved using sports, or other non-work-related activities.” This focus on shared interests extended to areas such as joining a relevant auto, karaoke, or golf club; policy overlaps; and developing meaningful relationships with people who might ultimately end up as contract providers. It even extended to parenting, as the founder of PlatTech highlighted:

When I had a conversation in the county I focused on parenting and fatherhood when I realized that they have a teenage son. That helped me get in the door.

At PlatTech, this also included activities such as sitting next to the different-tribe governor in church in order to remind him of the shared belief system (i.e., same religion), and ultimately obtaining access to a contract. The company's founder discussed how this approach applied more broadly:

[It is] more of a “shared interest” basis. For example, I am a church guy, and so I know a lot of my friends are people who share my faith...And I know them as business people, I know what they do, so the next time I need something done, I can relate it [in the context of this community].

Thus, the entrepreneurs evoked non-ethnic groupings to draw new boundaries and thus shifted, redefined, or broadened the in-group. We thus labeled this dimension *reframing the in-group*.

In all, given that the entrepreneurs' efforts to defocus from ethnicity and reframe the in-group went beyond ethnic demarcations, we refer to this mechanism as *transcending ethnic homophily*, which we define as developing or making use of contacts different than oneself by means such as reframing the in-group. Influenced by their prior experience with intergroup ties and related factors, the entrepreneurs in our study often naturally transcended homophily, as we discuss below. Table 4 provides additional evidence.

4.3 | Prior experience with intergroup ties

Our discussion above touched on the entrepreneurs' main reason for transcending ethnic homophily: access to business opportunities. However, we also found evidence regarding *why* the entrepreneurs in our study appeared to have a natural inclination for developing cross-ethnic relationships: prior experience with intergroup ties based on their interethnic (romantic) partnerships and interethnic upbringing.

Interethnic (romantic) partnerships played a major role in all the companies that we studied. All founders were married to partners from other tribes (see Table 1). Cofounder 1 of IcTech, for example, was from the Luo tribe, whereas his wife was from the Kikuyu tribe. His business partners were Luo and Embu. Cofounder 2 of IcTech was Kikuyu, his wife Luo, and his business partners Luo and Kikuyu. The software lead at GenTech was Kikuyu, his wife Kamba and Digo. The founder of PlatTech was from the Meru community, while his wife, a codirector, was Luo.

These partnerships not only allowed the entrepreneurs to naturally navigate ethnic boundaries (see above), but they also brought up important reflections throughout their lives. The social media lead of GenTech, for example, discussed that having a mixed-ethnicity family broadened his outlook, especially because in a potential larger conflict, it would be impossible for his family to pick a side:



Let's say, unfortunately, we reach a point where people are starting to fight, and I am fighting for the Kikuyu. Who would my wife...fight for? Because she is a mixture of Kikuyu, Kamba, and the Digo. Would she fight the Kikuyu based on her Kamba line age? Would she fight the Digos?

In addition to these interethnic partnerships, interethnic upbringing emerged as an important dimension. The founder of PlatTech (Meru) discussed the intriguing factors that shaped his understanding and allowed him to effectively develop ties with people from other tribes:

My experience with my wife and my in-laws—I am from the eastern part, and she is from Nyanza—is that they come from a community that has certain stereotypes associated with us, and just being related and having very close relationships with my in-laws has helped me to dispel those stereotypes, or to understand [them]. It is not a bad thing, just a cultural thing, and upbringing. It definitely helps to get a deeper understanding of those communities, and some of the stereotypes associated with them. It helps again in business because you can walk into a business meeting with a better understanding, and when certain things are said, or certain behaviors are observed, you understand.

The cofounder of IcTech discussed how this played out differently in rural versus more urban areas:

We [in Nairobi] are in a melting pot: we go to the same schools, live in estates with different ethnic backgrounds. We are generally forced to appreciate and accommodate people ... [In contrast] people from rural areas are culturally cocooned and like to hang out with their kind of people who speak their mother tongue.

In a similar vein, the founder of PlatTech discussed how his (cosmopolitan) upbringing affected his ability to see—and perform—beyond tribal boundaries:

I have grown up in a cosmopolitan, urban setting, where people are from all over the place. It's different from people who grew up in a rural setting. My folks, for example, grow up with people from their community. For me, it has been very different, it has helped overcome some of the stereotypes that are associated with ethnic groups, like: "Kikuyu like money, and Luos like showing off"—that doesn't matter, because you know people. My upbringing, especially where school has been concerned, has been with diverse ethnicities, and that has helped me not to perpetuate some of the stereotypes of ethnic grouping. It is also transmitting to my business today because we don't have those hang-ups about certain people or communities.

Overall, prior experience with intergroup ties, such as interethnic upbringing and interethnic partnerships, emerged as an important reason why the entrepreneurs had an inclination to develop intergroup ties. We define *prior experience with intergroup ties* as previous exposure to groups other than one's own—in this case, other tribes.

This previous exposure was important, as it shaped the entrepreneur's self-identity (i.e., their beliefs and the stable and prominent aspects of their self-perception). The cofounder of GenTech highlighted:

I grew up very open-minded. I had never experienced ethnic profiling until [the ethnic violence related to the elections]...to realize that I am a Kikuyu. I had always thought of myself as me. That upbringing helped me to be very objective whenever I think of tribes...I find that [when] I am with people from different tribes, and we are having a discussion, and someone assumes that I would automatically take a position because of my tribe, they are pleasantly surprised that I am agreeing with their argument, and it makes it very easy to talk to such a person.

The social media lead at GenTech discussed how this spilled over into the work environment:

The majority of the team is currently engaged in liaisons with their partners primarily being from different ethnic communities. Most have mixed ethnic backgrounds themselves, thus creating a mixed environment that is freer from prejudice and ethnic influence.

These findings build on and extend research related to the contact hypothesis (Allport, 1954; Dixon et al., 2005), which contends that (under appropriate conditions) the interaction between members of different groups reduces intergroup prejudice. Our findings show how and why *prior experience with intergroup ties* can help entrepreneurs creatively develop diverse ties, which tends to be more difficult in socially contested environments (Alesina & La Ferrara, 2005; Easterly & Levine, 1997).

5 | DISCUSSION

Our findings capture how entrepreneurs develop diverse social ties in a socially contested setting to get access to opportunities and related resources. Below, we discuss our theoretical contributions.

5.1 | Tie formation and resource acquisition strategies in socially contested settings

We contribute to the literature by providing a deeper understanding of tie formation and entrepreneurial resource acquisition strategies in socially contested settings. Prior research has contributed important insights regarding the agentic actions of entrepreneurs that aim to access resources (e.g., Vissa, 2011; Zott & Huy, 2007). However, the literature has underplayed the social complexity of social actors' (especially resource providers') contexts. In particular, while it has been shown that task complementarity can trump social homophily (e.g., Vissa, 2011), our work fills a gap in showing how (and why) entrepreneurs manage to navigate contexts of social contestation in order to access opportunities. Those of other ethnicities than the dominant group often face greater challenges with regard to acquiring resources such as financial capital than members of the dominant group (Kushnirovich & Heilbrunn, 2008). This often leads to the necessity of leveraging kinship ties (Kalnins & Chung, 2006). Prior research has focused on strategies such as developing more diverse ties (e.g., Burt, 1992; Hite & Hesterly, 2001; Maurer & Ebers, 2006; Ruef et al., 2003), catalyzing strategies such as casual dating (Hallen & Eisenhardt, 2012), and constructing a shared narrative with others who share one's migration experiences, traditions, or nationality (e.g., Phillips et al., 2013). However, in contrast to the entrepreneurs on whom prior research tends to focus, for example, (minority) entrepreneurs in the Global North (e.g., Zhang et al., 2016) or entrepreneurs operating from a socially uncontested home base (e.g., Phillips et al., 2013), the entrepreneurs in our study were operating in their own socially contested home country. They had to modify and supplement strategies such as casual dating (Hallen & Eisenhardt, 2012) to perform well and be able to navigate both intra- and interethnic ties. Interethnic tensions make it more difficult to connect with diverse others, and connecting between different social actors or communities is often penalized, as the connector might end up being trusted by neither party (also see Xiao & Tsui, 2007). The concrete strategies that we identified show how distrust can be overcome in creative ways.

Thus, while prior research has shown that task similarity can trump social similarity (e.g., Vissa, 2011), it tends to assume that entrepreneurs have choices, which are more restrained in "extreme settings" (see Eisenhardt et al., 2016) such as socially contested environments. In a context of social contestation, it is difficult to smoothly transition to diversified ties, and the entrepreneurs in our study had to consistently find ways to both assert and transcend ethnic homophily. In doing so, they not only had to overcome social dissimilarity, but they also needed turn potentially negative ties into positive ones (i.e., overcome distrust). They often circumvented potential



constraints and gained access to business opportunities by defocusing from ethnicity (e.g., avoiding using ethnic names or focusing on product benefits) and reframing the in-group (e.g., focusing on joint interests beyond ethnicity). However, they also used tactics such as signaling ethnic affiliation (e.g., using the respective ethnic language) and leveraging others' ethnicity (e.g., using family members, friends, or partners from another tribe to make a deal) to assert their group affiliation if necessary. By capturing these creative tactics, our study contributes to our collective understanding of entrepreneurial resource acquisition and tie formation strategies (Batjargal et al., 2013; Kalnins & Chung, 2006; Stam et al., 2014; Zhang et al., 2016) in the context of social contestation, and shows how entrepreneurs in these contexts may develop the relationships that previous research has deemed to be important.

Our findings have important implications for issues such as potential advantages and liabilities of foreignness (cf., Edman, 2016; Newenham-Kahindi & Stevens, 2018). For example, a lack of awareness of ethnicity-related issues could present a major liability for foreign firms, or firms might need to leverage the experience and knowledge of local employees and partners to address these issues.ⁱⁱ In a similar vein, African firms that aim to expand across the region might make entry decisions not merely based on commercial or related issues but also related to ethnicity and social ties—and an assessment of how easy it might be to form ties with the respective tribal leaders.

Our study also points to important factors that influence tie formation strategies in socially contested environments. Prior experience with intergroup ties allowed the entrepreneurs in our study to empathize with other-tribe contacts and to enact various other-tribe tactics effectively. Our findings build on and extend literature on reflexivity (e.g., Suddaby et al., 2016), which discusses that (and how) one's institutional biography can increase reflexivity when it involves exposure to diverse settings. One potential interpretation of our findings is that it is not the ties per se that predict future ties, but (also) the reflexivity that enables people to think beyond the boundaries of their ethnic group and become open to multiple bases for relationships. People exposed to multiple settings are often able to pick and choose among them, and so they tend to have the social skills to adapt and respond in more flexible ways (Beckert, 1999; Fligstein, 2001). Further research could dive deeper into potentially related moderators and mediators, including the social skills (Fligstein, 2001; also see Lux et al., 2016) and creative mobilization approaches (e.g., Busch & Barkema, 2021) that might be required to *transcend homophily*.

This is particularly important given that while our work focused on tie development from the perspective of the respective entrepreneurs, government officials have agency, too, especially given the strong competition between ICT entrepreneurs for government contracts. In a competitive setting such as the one we studied, government officials who face a choice between different entrepreneurs might need particularly strong convincing by other-tribe entrepreneurs, and the mediators and moderators that play a major role on the part of entrepreneurs most likely play a major role on the part of government officials, too—for example, prior experience with interethnic ties and social skills, but also issues such as proximity to an election and the level of ethnic tensions in the respective county. Further research could dive deeper into these dynamics.ⁱⁱⁱ

5.2 | How and why social actors can transcend group identities

More broadly, we elucidate how social actors such as entrepreneurs, nested in community identities, can resolve competing expectations, and reframe or even transcend group identities (Ingram & Morris, 2007; Qureshi et al., 2016; Yenkey, 2015). Prior research has shown that in contexts of uncertainty, the influence of culturally similar peers becomes increasingly important, and social actors tend to turn to in-group contacts (Rogers, 2003; also see Chrisman et al., 2004; Davidsson & Honig, 2003). Given the primacy of ethnic ties in Kenya, the literature (see Moody, 2001; Reagans, 2011; Rogers, 2003) would have led us to believe that enterprises in a context of increased ethnic salience would relay back to their own tribes. However, while the entrepreneurs in our study did assert same-ethnic ties when necessary (e.g., in tribalized own-tribe counties), they also actively rethought which dimensions to cluster—and whether to cluster at all. They often *transcended* ethnic homophily by defocusing from ethnicity and reframing the in-group.

We know from prior research that shared identity can be based on shared codes (Nahapiet & Ghoshal, 1998), framing resonating messaging (Yenkey, 2015), signaling (Connelly et al., 2011), impression management (Benson et al., 2015; Bolino et al., 2008; Zott & Huy, 2007), or being part of similar professions (Maurer & Ebers, 2006). We build on and extend this research by elucidating how entrepreneurs in socially contested environments can develop and leverage common denominators such as similar interests or beliefs to reframe and even overcome homophily in a context where customers (and potential contracts) are limited. We fill a gap in our collective understanding of how and why social actors integrate with diverse others and how to break dominating patterns of social organization (Abascal & Baldassarri, 2015; Yenkey, 2015). Instead of taking clear in-group/out-group categories (here: tribes) as a given (see Abascal & Baldassarri, 2015), the entrepreneurs in our study evoked new nonethnic groupings and drew new boundaries. Our study thus contributes to a deeper understanding of whether and how exactly (i.e., concrete strategies) individuals can transcend group identities (Abascal & Baldassarri, 2015; Yenkey, 2015).

In all, we explicate how (and why) entrepreneurs navigate their relationships to access business opportunities in a context of social contestation, which has major implications regarding our collective understanding of how social actors can navigate partisan divides productively.

5.3 | Practical implications

Our study has several practical implications. First, we distill concrete practices that entrepreneurs can employ to develop social ties in socially contested settings. Approaches such as reframing the in-group will likely be useful for entrepreneurs operating in a variety of socially contested contexts as well as for multinational businesses aiming to expand into those contexts (for an interesting perspective on the relationship between ethnic ties and internationalization, see Prashantham et al., 2015).

Furthermore, our findings on how ethnic divisions can be overcome by entrepreneurial agency and how social actors can resolve interethnic conflict (see, e.g., Easterly & Levine, 1997) productively will likely be helpful to international organizations (e.g., foundations) operating in socially contested settings. For example, foundations could focus on funding interethnic communities and ventures.

Finally, our paper will likely be relevant for local support organizations such as incubators and government agencies (Busch & Barkema, 2022b; Giudici et al., 2018). By developing a clear understanding of entrepreneurial venturing in socially contested settings, our paper indicates that training programs for (upcoming) entrepreneurs ought to among other things focus on developing experiences and (social) skills (Fligstein, 2001) related to connecting previously disconnected groups.

5.4 | Limitations and further research

Kenya is a relatively novel empirical setting for entrepreneurship and management theory (see George et al., 2016). However, while some of the concrete mechanisms that we identified might be idiosyncratic to this particular context (cf., Foo et al., 2020; George et al., 2016; Weiss et al., 2022), we expect many of our findings to be transferable (cf., Oriaifo et al., 2020) to other socially contested environments, as the overarching contextual phenomenon of ethnic segmentation is commonly found across countries and contexts (Alesina & La Ferrara, 2005; Yenkey, 2015). In a time of increased partisan tensions around the world, elucidating mechanisms that allow us to address these divides appears timely and important (Yenkey, 2015; also see Easterly & Levine, 1997). Indeed, further research could test the emerging tie formation strategies in other contexts, for example, political parties in the United States. Inductive case study approaches could help investigate what drives changes in the related network, and how ties might change over time. Under what conditions are individuals able to orchestrate intergroup ties? What factors determine the



efficacy of such network orchestration? What are the possible underlying power dynamics? We also assume that our findings are applicable in less ethnically charged tribal contexts (e.g., Malawi or Senegal), where underlying dynamics might be similar but the risk of bridging between different social groups is supposedly lower than in Kenya. Future research could develop exciting propositions in this regard.

Furthermore, while tie formation can be intentional, ties often emerge unexpectedly (Kilduff & Tsai, 2003), and the value of collaborations is often discovered serendipitously (Busch, 2020; Graebner, 2004). Further research could address questions related to the role of serendipity in tie formation in socially contested settings, for example, by studying how unexpected overlaps with other-tribe actors might or might not emerge during joint activities (cf., Busch, 2022; Irving et al., 2019). Related concepts such as absorptive capacity (e.g., Hughes et al., 2014) might help explain why some companies might be better equipped to make use of these serendipitously emerging relationships (and related ideas) than others.

Moreover, we focused on ICT entrepreneurs that were socialized in cosmopolitan Nairobi and, from there, operated across different counties. Throughout our study, the participating entrepreneurs differentiated between ethical and unethical (i.e., corrupting) in-group relationships, and they portrayed what we perceived to be a strong ethical anchor (which might not be the case for every entrepreneur operating in this context). Our assumption is that while IT entrepreneurs who work on larger-scale technology infrastructure projects in a cosmopolitan setting tend to have exposure to intergroup ties, entrepreneurs with a less cosmopolitan background (e.g., socialized in a tribally charged rural county) and less exposure to other-tribe ties might be less able, interested, or experienced in transcending ethnic homophily than the entrepreneurs in our study (cf., Balachandran et al., 2019). Future studies could dive deeper into analyzing these dynamics, for example, by including comparison cases of rural entrepreneurs. There might also be differences depending on the size and power of the respective tribe in the respective context: Presumably, members of larger and more powerful ethnic groups need cross-ethnic ties less than those who are members of smaller, less powerful groups. This points to the importance of exploring the dynamics between social networks and inequality (see, e.g., Zie et al., 2023), providing ample opportunities for further research.

Further research could also explore the timing of tie selection; for example, some of the entrepreneurs highlighted that developing ties was less useful right before an election than right after, as the respective new county government might have different plans than the previous one.

Furthermore, we focused on leadership team members as the focal actors for developing new relationships. Whenever we spoke with lower-level executives, we came across the notion that they were often operating in a pragmatic execution mode after the leadership team had already handled the initial ethnic dimension. Further research could use projects as the unit of analysis, look at related activities longitudinally (e.g., from the initial contact to the project's conclusion), and establish a timeline of when/if pragmatism and execution starts to trump ethnicity. For example, we might assume that once a firm has closed a contract—and thus overcame the initial tribal hurdle—the actual implementation might be less fraught with ethnic obstacles. Moreover, when we spoke with the entrepreneurs after the period that we studied—a period characterized by increased ethnic tension—a common theme that emerged was that issues such as corruption had increasingly overshadowed other dynamics on the county level. Further research could investigate whether this might lead to an increased push toward private sector partnerships, which are commonly perceived as being less fraught with these dynamics than partnerships with the local government.

Finally, while the entrepreneurs all transcended ethnic homophily, they did so to differing degrees. Much work remains to be done on the potential moderators and mediators of *transcending ethnic homophily*, especially regarding less cosmopolitan entrepreneurs. A particularly promising route for further research might be to explore factors such as risk propensity (the willingness to pursue courses of action involving uncertainty regarding success or failure outcomes; Jackson, 1994; Zhao et al., 2010). We anecdotally observed differences in how the entrepreneurs in our study approached the different counties, from more risk-taking (e.g., founder of IcTech) to more risk-averse (e.g., social media lead of GenTech). This potentially influenced their tie selection; for example, the more risk-averse entrepreneurs appeared to hesitate to expand into different, more ethnically charged other-tribe counties such as

Mandera (majority is ethnic Kenyan Somali). Future research could explore these kinds of dynamics, and under what conditions specific tactics might be more effective than others.

6 | CONCLUSION

In this article, we analyzed four IT enterprises in an ethnically fractionalized society. We observed intriguing tie-formation dynamics that were triggered by the decentralization of government in Kenya. This changed the enterprises' customer structure and increased ethnic salience in the entrepreneurs' day-to-day operations, making it an intriguing setting to explore tie formation strategies in a socially contested setting. We contribute a deeper understanding of tie formation strategies in such settings, stipulating how (and why) entrepreneurs *transcend* and *assert* ethnic homophily to access opportunities. The African context provides a fruitful setting to advance the frontiers of entrepreneurship and management scholarship, and we hope that our study will help encourage more research in (and out of) this fast-growing and highly entrepreneurial context.

ACKNOWLEDGMENTS

The authors would like to thank Christopher Yenkey, Tima Bansal, Hana Milanov, Bat Batjargal, Charlene Zietsma, Isobel O'Neil, Daniela Lup, Janet Berkovitz, David Marsden, Tim Weiss, Harry Barkema, Laura Spence, Wouter Stam, Martin Kilduff, Jorge Riviera, Geoffrey Kistruck, Elisa Alt, Tobias Hahn, Susan Schwarz, Jonatan Pinkse, Garima Sharma, and the GRONEN Reading Group, as well as the participants of several workshops at the University of Nairobi, Strathmore Business School, the Africa Academy of Management Conference, and the Academy of Management Annual Meeting for their very helpful feedback on previous versions of this article. We are grateful to editor Melissa Graebner and the anonymous reviewers for their extremely helpful feedback and guidance, and we thank the Netherlands Scientific Research Foundation for funding our research.

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ENDNOTES

- ⁱ The constitution that paved the way for the county system was adopted in 2010; however, the bicameral system of government and the county system only came into force with the holding of the first election under the new constitutional dispensation in 2013 (Lakin & Mudida, 2015).
- ⁱⁱ Alternatively, non-African firms and/or their employees might be perceived as (more) neutral.
- ⁱⁱⁱ Our study did not aim to evaluate the transparency efforts of the Kenyan government, which have focused on promoting more transparency, accountability, and competition in government procurement, for example, by adopting new e-procurement systems and establishing new regulatory authorities.

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How to cite this article: Busch, C., & Mudida, R. (2023). Asserting and transcending ethnic homophily: How entrepreneurs develop social ties to access resources and opportunities in socially contested environments. *Strategic Entrepreneurship Journal*, 1–29. <https://doi.org/10.1002/sej.1491>