

ROLE MODELING – A ROLE OF FOREIGN DIRECT INVESTMENTS IN PROMOTING ENTREPRENEURSHIP GROWTH THROUGH ENTREPRENEURIAL INTENTION AMONG KENYAN EMPLOYEES

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ABSTRACT

Foreign Direct Investments (FDIs) are considered as key drivers of economic growth and development due to their multiple benefits in the developing countries. Kenya has attracted a large number of FDIs from various parts of the world. Studies have been carried out on their impact on the Kenyan economy. However, no extensive research studies have been undertaken on the contribution of FDIs to entrepreneurship growth in Kenya. Various scholars have identified different exogenous factors that are associated with FDIs including; technology transfer, skills and experience, networks and infrastructure among others. This paper analyses the contribution of FDIs in influencing entrepreneurial intentions among the Kenyan employees through role modeling. The paper is based on a study carried out in Kenya to identify the role of foreign direct investment in promoting entrepreneurship growth through entrepreneurial intention among local employees. The study adopted a descriptive research design and targeted FDIs located within Nairobi County in Kenya. A multistage sampling technique was used with the first step involving sampling of FDIs and a sample of 30 firms was selected. The second step involved sampling of employees within the firms and a sample of 256 employees was selected. The instrument used in data collection was a questionnaire. To verify the validity of the instrument a pilot study was carried out and the Cronbach alpha reliability index of 0.70 was used. Various statistical techniques were used for data analysis. These included use of the Statistical Package for Social Sciences (SPSS) which is a research computing tool, t- tests and the Analysis of Variance (ANOVA). The findings revealed that foreign investors acted as role models towards their Kenyan employees within the FDIs which raised their entrepreneurial intentions. A growing body of literature argues that intentions play a critical role in the decision to start a new enterprise.

Key Words: *Entrepreneurship, Entrepreneurship growth, Entrepreneurial intention, Foreign Direct Investment (FDI), and role models*

Introduction

It is acknowledged globally that entrepreneurs are major contributors to job creation and economic growth. Entrepreneurship is considered one of the most important factors contributing to economic development. It leads to increased economic efficiencies, brings innovation to market, creates new jobs, and sustains employment levels (Shane & Venkataraman, 2000). Furthermore, it develops human potential, and satisfies new customer demands. It is commonly agreed that entrepreneurship is considered a driving force behind micro and small enterprises (MSEs).

The MSE sector contributes about 18 per cent of GDP in Kenya (CBS, ICEG, K-REP, 1999). Additionally, it accounts for 87 per cent of all the new jobs created and it employs 77 percent of the total number of employees in the country. In 2005, for example, the sector accounted for 85 per cent of the total number of employees in the manufacturing sector and 47 per cent of the manufacturing firms (KIPPRA, 2009).

Overall, the MSEs employ 5.4 million people and create 89 per cent of all new jobs in Kenya annually. Estimates of the 1999 Baseline Survey of MSEs show that in the year 2002, the MSE sector employed about 5,086,400 people up from 4,624,400 in 2001. This was an increase of 10 percent and consisted of 74.2 per cent of total national employment (*Economic Survey, 2003*). This demonstrates that the MSE sector provided employment for substantially more people than does the formal sector.

Entrepreneurship growth is a very important catalyst for the rapid growth of small and medium industries in a country (Nanda, 2008). But for these to succeed, policy makers need to understand factors that support growth in order to develop supportive policies. However, it takes more than policies alone to foster entrepreneurial growth because business startup is not a reflex action but a well thought intention (Krueger et al., 2000).

From a psychological standpoint, the intention to become an entrepreneur has been described as the single best predictor of actual behavior (Ajzen, 1991; Kolvereid, 1996). The theoretical work of Bird, (1988) suggests that an entrepreneur's intentions to start a business and the decisions that occur before start-up shape the subsequent goals, strategies, and structures of the new venture. These difficult-to-reverse initial decisions and alignments will in turn have an influence on the survival, growth, and profitability of a new firm (Hannan & Freeman 1989; Hansen & Wortman 1989).

Studies show that exogenous factors significantly influence attitudes toward entrepreneurship which, in turn, influence entrepreneurial intentions. These studies assert that exogenous factors

such as skills, experience, role models, knowledge, and personality traits influence attitudes (Learned, 1992). He also argues that these, and other exogenous factors that work upon the person or the situation, may also moderate the relationship between entrepreneurial intentions and behavior.

It is apparent that Kenya has to take all precautions to ensure that she promotes her private sector to improve her economy. The inflow of FDI and the development of MSEs are both essential driving forces for economic growth in Africa (Wilson, 2009). There is evidence that FDIs have a lot of contribution to the host country including source of new technology, processes, products, capital, management skills, access to markets, and access to expertise (OECD, 2001).

Literature further shows the importance of FDIs in the developing countries in the improvement of infrastructural conditions of a country, technological development as well as raising the standard of living of the general public of the host country. The health sector of many a recipient country has also been benefited by the foreign direct investment (Ambika, 2009). Thus it may be said that FDI plays an important role in the overall economic and social development of a country.

There is literature that shows the importance of FDI in many developing countries but not much documentation has been done on their contribution in Kenya in stimulating entrepreneurial intentions despite Kenya's large number of foreign investors. This study sought to verify if the employers in the foreign investments acted as role models to their Kenyan employees. This is as per other studies that have identified the importance of role modeling in entrepreneurship growth. According to Fornahl (2003), the role of positive entrepreneurial examples is important for enhancing entrepreneurial activity.

Social Learning Theory

This theory argues that individuals are assumed to learn in a social context through the observation of others with whom they can identify and who perform well in an area in which they wish to be involved (Bandura, 1977; 1986). The theory further emphasizes that people learn from role models through example or support. This is more likely when the role model is more highly qualified than the role model 'user'. A role model often has a higher hierarchical position (Kram and Isabella, 1985; Shapiro et al., 1978). According to Gibson (2004) this is because individuals are attracted to role models who can inspire them to higher levels to acquire new tasks and skills.

Studies have also cited importance of role models to prospective entrepreneurs. The researches have included entrepreneurial role models as an important factor in the decision to start a business. Employees within the FDIs get exposed to their employers who are more qualified than them and have different skills.

Theory of Entrepreneurial Intentions and Planned Behavior

There is a growing body of literature arguing that intentions play a very relevant role in the decision to start a new firm (Linan & Chen, 2009). An intention is a representation of a future course of action to be performed; it is not simply an expectation of future actions but a proactive commitment to bringing them about (Bandura, 2001). Intentions and actions are different aspects of a functional relation separated by time. Entrepreneurial intentions describe the degree of commitment directed towards the performance of the entrepreneurial endeavor of putting up a business (Krueger & Carsrud, 1993; Drennan, Kennedy & Renfrow, 2005; Souitaris et al., 2007).

Several entrepreneurial intentions models have emerged over the years (Shapero, 1985; Krueger, 2000) and are considered well accepted to explain entrepreneurial intentions (Drennan & Saleh, 2008). However, two intention-based models that are widely recognized and offer a well-developed theory base that increases rigor of research are: Ajzen's (1991) theory of planned behavior (developed and validated in social psychology) and Shapero's (1982) model of entrepreneurial event.

Studies have shown that intentions can be used to measure the effort planned by an individual to perform the behavior of firm creation. The model of planned behavior explains how ideas evolve into new ventures (Kruger & Carsrud, 1993; Krueger & Brazeal, 1994). It explains intentions by means of behavioral attitudes, subjective norms and perceived behavioral control. That is, individuals make their firm creation decision based on three elements: personal preference or attraction towards entrepreneurship; the perceived social norms regarding that venture and thirdly, perceived entrepreneurial self-efficacy (Linan, 2007).

Using the subjective norm element of the theory of planned behavior, the study sought to verify if employers within the FDIs have acted as role models to their Kenyan employees, thus enhancing entrepreneurial intention. This is with the understanding that the employers, (who are the role models) occupy a desirable position and have better qualifications in terms of human capital.

Literature Review

Role models are individuals influencing an entrepreneur's career choice and style. One of the most important factors influencing potential entrepreneurs is their choice of role models (Hisrich R. et al, 2008). He adds that successful entrepreneurs (role models) are viewed frequently as catalysts by potential entrepreneurs. While Niels et al., (2011) citing Shapiro et al., (1978); Basow and Howe (1980) and Wright et al., (1997) say that a role model is a common reference to individuals who set examples to be emulated by others and who may stimulate or inspire other individuals to make certain decisions and achieve certain goals.

Role models may also enhance the desire to become an entrepreneur and the entrepreneurial self-efficacy of individuals (Van Auken et al., 2006a; 2006b). This may, in turn, positively influence

entrepreneurial intentions and ultimately, entrepreneurial activity (Krueger et al., 2000). It is commonly held that role models are important in promoting the concept of entrepreneurship in society. According to Anderson (1995), the existence of role models in a society will have a positive effect on the development of entrepreneurship and vice versa.

In their study on the relationship between entrepreneurs and role models, Niels et. al., (2011) states that 60% of the respondents affirmed that their role models were former employers. On the other hand, Nanda and Sorensen (2009) in their study showed that 84% of the entrepreneurs with role models in their sample had personal contacts with their role models through employment.

Research Methodology

This study used a descriptive research design. The target group under study was Kenyan nationals employed in foreign owned organizations located within Nairobi Kenya. The total population of approved and registered foreign direct investments in Kenya from year 2000 is 821 with a total of 74,299 local employees. The sampling frame consisted of 770 local employees working in the 66 foreign investments located within Nairobi County. A sample size of 235 local employees was selected from a sample of 30 foreign firms.

Questionnaires were used for data collection. Out of the 235 questionnaires distributed 201 were returned. This was an 85% response rate. It is an acceptable response rate. According to Mugenda & Mugenda (2003), a response rate of 50% is adequate, and 60% is good while 70% and above is rated as being very good. Descriptive and inferential statistical techniques were used to organize data while the SPSS a statistical software package was used to analyze the data. The ANOVA was used to analyze the degree of relationship among the variables.

Research Results

The study established that majority of the employees (97.5%) admired their employers (table 1). According to Slacdurak (2005) role models may inspire potential entrepreneurs, especially when they work closely for a duration of time. Role models may enhance the desire to become an entrepreneur and the entrepreneurial self-efficacy of individuals (Van Auken et al., 2006). This may influence entrepreneurial intentions and ultimately entrepreneurial activity (Krueger, Reilly, & Carsrud, 2000). The analysis further showed that 91.8% agreed that their employers had appealing attributes, while 96.5% agreed that through their employers they had acquired enough confidence and would produce their own products/services. The respondents also agreed that exposure to their employers had given them confidence in coping with challenges. Van Auken et al (2006) found out that role models make people confident that they too can achieve a certain goal in the process increasing self-efficacy.

Table 1: Role modeling findings

	Strongly disagree		Disagree		Not sure		Agree		Strongly agree		
	Count	%	Count	%	Count	%	Count	%	Count	%	%
I admire my employer	0	0	4	2.0	1	.5	86	43.0	109	54.5	100.0
My employer has appealing attributes	2	1.0	10	5.0	4	2.0	64	31.8	121	60.2	100.0
I'm confident I can develop my own products/service	2	1.0	1	.5	4	2.0	66	33.0	127	63.5	100.0
I can do what my employer does even better	0	0	6	3.0	17	8.5	68	34.0	109	54.5	100.0
I'm confident I can cope with unexpected challenges	0	0	3	1.5	5	2.5	51	25.5	141	70.5	100.0
I admire my employer and would like to be as successful	0	0	8	4.0	2	1.0	67	33.7	122	61.3	100.0

Hypothesis Testing

The findings indicated that there was a positive correlation between entrepreneurship growth and role modeling. This means that as employers act as role models to their local employees, their entrepreneurial intention develops thus leading to entrepreneurship growth. Using the two tailed test, the researcher tried to determine if there is a statistically significant correlation between the two variables (table 2). The sig. (2-tailed) value was 0.001 with α being 0.05. Since this value 0.001 is less than 0.05 (alpha), it implies that there was a statistically significant correlation between entrepreneurship growth and role modeling. Therefore, the more employees in the FDIs are exposed to their employers who act as role models, the higher their entrepreneurial intention thus the higher the entrepreneurship growth.

Table 2: Pearson's Correlations

		Entrepreneurship growth	Role modeling
Entrepreneurship growth	Pearson Correlation	1	.227**
	Sig. (2-tailed)		.001
	N	201	201
Role modeling	Pearson Correlation	.227**	1
	Sig. (2-tailed)	.001	
	N	201	201

From table 3 the calculated value of t is 3.286 while the t-critical is 1.972. Since $t\text{-calc} = 3.286 > t\text{-critical} = 1.972$, the null hypothesis was rejected. This means that $b_1 \neq 0$, (H_1 : There is a significant relationship between role modeling as a role of FDI and entrepreneurship growth). This implies that there is a statistically significant linear relationship between entrepreneurship growth and role modeling. Thus from this study, there is statistical evidence that role modeling is useful in enhancing entrepreneurial intention among the employees which leads to entrepreneurship growth.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	8.669	.967		8.967	.000
	Role Modelling	.225	.068	.227	3.286	.001

Discussion

The findings revealed that there was a statistically significant relationship between role modeling and entrepreneurship growth. Thus from the study, there was statistical evidence that role modeling is useful in enhancing entrepreneurial intention which leads to entrepreneurship growth. In particular, the local employees in the FDIs identify various positive attributes from their employers which give them the motivation to operate their own businesses thus enhancing their entrepreneurial intention. This study used self-efficacy, learning and retention, reproduction and motivation as perimeters to study if employers in the foreign owned investments enhanced entrepreneurial intention among their local employees.

Conclusions

The main objective of the study was to determine if foreign direct investors act as role models to enhance entrepreneurship growth in Kenya. This is by creating entrepreneurial intention among their employees. The findings suggest that employers in the FDI's act as role models to their Kenyan employees. Although the FDI's provide other exogenous factors to their local

employees, role modeling is a major contributor to entrepreneurship growth. This is because role models contribute a lot to entrepreneurial intention and as studies reveal, many entrepreneurs claim that their business start-up decision and the development of their businesses was influenced by others (Niels et. al., 2011). These ‘others’ are often entrepreneurs, and since the foreign investors are entrepreneurs, they set examples to be emulated by their employees. According to Fornahl (2003) the role of positive entrepreneurial examples is important for enhancing entrepreneurial activity. This leads the researcher to conclude that FDI’s contribute to entrepreneurship growth in Kenya since there is a growing body of literature arguing that intentions play a very relevant role in the decision to start a new firm (Linan & Chen, 2009).

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