

Dugassa T Gerba

Towards explaining how entrepreneurship training influence opportunity recognition by necessity-based entrepreneurs

Introduction

Entrepreneurship has been extensively promoted as a critical policy instrument to upsurge employment and earning prospects and thereby to reduce poverty. This is primarily the case in developing countries where wage and salary employment are limited and the majority of jobs are created and operated in self-employment (Gindling and Newhouse, 2014). Accordingly, multilateral, governmental, and nongovernmental organizations have been investing massively in entrepreneurship development initiatives. Training is one of the most common forms of active support provided to small businesses around the world (McKenzie and Woodruff, 2014). Numerous kinds of training initiatives ranging from traditional business skills training to experiential behavioral and action-oriented entrepreneurship training programs have therefore been designed and implemented across countries.

As the provisions of training meant to foster entrepreneurship have been around for decades, so have been studies aimed at assessing the impact of the different training directed at building the entrepreneurial and business skills of existing and aspiring entrepreneurs. Most of these studies are quantitative studies meant either to measure the impact of training initiatives on measurable enterprise performances outcomes such as firm survival, sales, and profitability (e.g., Campos et al., 2017) or to examine the impact of training on creating intentions or desirability for entrepreneurship by young people, particularly those in higher educations (e.g., Nabi et al., 2017). Nevertheless, scholars have presented contrasting viewpoints. While some have reported positive impact, others have reported neutral or even negative impact of training on firm's performance measures and intention. The focuses on whether training affects firm's performances seem to surpass investigating how training affects the entrepreneurs themselves and the way they use newly acquired skills making entrepreneurial decision. As a result, little is known about how and why entrepreneurship training affects the actions of entrepreneurs.

Relatedly, even if entrepreneurial opportunity recognition is considered as a very critical process in entrepreneurial endeavors (Shane and Venkataraman, 2000), surprisingly little efforts have been made to assess how entrepreneurial training affects the opportunity

recognition behavior of entrepreneurs. Scholars have identified two broad factors - prior information also called mental schema (Shane and Venkataraman, 2000) and cognitive properties (Baron, 2004; Shane and Venkataraman) as the determinants of the probability of individuals to identify opportunities. Besides, different factors that influence the evaluation and exploitation of opportunities have been well established in literature. However, how entrepreneurship training affects these important aspects of entrepreneurial processes has not been given due attention. With this backdrop, this study therefore aims at filling this gap by exploring how training affects opportunity recognition behaviors of necessity driven entrepreneurs in Ethiopia, a country whose entrepreneurial ecosystem is characterized by the prevalence of necessity driven entrepreneurs (Biru et al., 2021).

The study could make three important contributions. First, while extensive attention has been given to exploring the importance of cognition in opportunity recognition process, little attention has been given to how training affect entrepreneurial cognition. By comparing the opportunity recognition behaviors of necessity driven entrepreneurs before and after a behavioral entrepreneurship training, this study would shed light on how training affects cognition and thereby influence entrepreneurial opportunity recognition behavior. Second, current studies are often based on comparison between pre and post training performance impact of the firm rather than the behavior and practices of the entrepreneur him/herself. Moreover, these studies are not often longitudinal in nature. This study, however, qualitatively explores how and why training influence entrepreneurial opportunity recognition behavior of entrepreneurs in the short as well as intermediate time period. This will give a hint about whether necessity driven entrepreneurs could continue to practice opportunity recognition behaviors that they gained through training as time goes on or revert to the pretraining behaviors gradually. Third, the study will provide insight on how entrepreneurship training should be designed to better help the practices of opportunity recognition by necessity driven entrepreneurs.

Theoretical Underpinning

The study will draw on the human capital theory (Becker, 1993) and the cognitive perspective (Baron, 2004) in order to explore the influence of entrepreneurship training on opportunity identification, evaluation, and exploitation by necessity driven entrepreneurs. The theoretical root of training is the human capital theory (Becker, 1993) which generally assumes that individuals have a set of skills or abilities which they can improve or accumulate through

training and education. Putting this in the context of entrepreneurship, that means that individuals with diverse skill sets are more likely to turn out to be entrepreneurs than individuals with a specialized skill set. From this it is possible to deduce that higher level of education and training, will lead to more successful entrepreneurial behavior.

The importance of cognition in entrepreneurial opportunity recognition has already been established in research in the field. Shane and Venkataraman (2000) examine the coexistence of an individual's cognitive properties and his/her ability to identify, develop, and exploit opportunities. Baron (2004) also asserts invaluable role that cognitive perspective could play in assisting us in our efforts to understand entrepreneurs and their role in the entrepreneurial process. He claims that the cognitive perspective emphasizes the fact that everything we think, say, or do as human beings is influenced by mental processes—by the cognitive mechanisms through which we acquire information, enter it into storage, transform it, and use it to accomplish a wide range of tasks.

Methodology

Research Design

Prior attempts to study the impacts of entrepreneurship training largely focused on understanding either the effects of training on performance outcomes (such as profit, revenue, firm creation) or the creation of entrepreneurial intention in the youth using quantitative research approach with little efforts being made to explore how training affects the entrepreneurial behaviors and actions of entrepreneurs qualitatively. This study therefore qualitatively examines how training influences one of the prime stages in the entrepreneurial process –opportunity recognition. According to Corbin and Strauss (2008), qualitative research method enables exploring and discovering, rather than only testing, propositions by generating thick and rich descriptions of actual behavior in real-life contexts. Scholars have been calling for qualitative research on the topic of entrepreneurship orientation and suggest that such qualitative studies could provide deeper insight into how and why the dimensions of entrepreneurship orientation are manifested and may be empirically captured (Wales, 2016).

Research Context

The study will be based on data to be obtained from necessary driven entrepreneurs in Ethiopia. Ethiopia has been consistently registering encouraging economic growth for over a decade.

This positive growth trend in the country's economy is partly stimulated by a considerable attention that the government has given to the development of entrepreneurship and small businesses. The government sees small business development as prominent growth instrument with the hope that they create jobs for youth and women, generate income, and establish a foundation for industrialization. Different entrepreneurship support programs including training are being implemented by government agencies, nongovernment and multilateral organizations. Despite substantial investment in the sector, the entrepreneurship ecosystem is still underdeveloped and characterized by the prevalence of necessity entrepreneurs; lack of institutional thickness; and lack of focus on high performing entrepreneurs (Biru et al., 2021). As a result, this study is meant to understand how one of the support packages, training intervention, influences one of the critical entrepreneurial behaviors – opportunity recognition behavior of necessity entrepreneurs in the country.

A brief on a competency-based training

The training that will be considered for this study is a competency-based training behavioral training program that is designed based on David McClelland's Achievement Theory and has been provided for several years by an institution in Ethiopia as part of government's efforts to promote entrepreneurship. The training is centered around ten personal entrepreneurial competencies of successful entrepreneurs. Hence, the training is not just about opportunity identification, but also covers other competencies that entrepreneurs are supposed to possess in order to identify, assess, and exploit opportunities. These competencies include opportunity seeking, goal setting, systematic planning, risk taking, information seeking, quality and efficiency improvement, persistence and commitment, persuasion and networking, and independence and self-confidence.

Pedagogically, the training is an intensive six-day program based on the principles of adult learning in which the role of the trainer is largely limited to creating conducive environment for the learners. As a result, games, case studies, simulation and role playing are the major training tools. During the workshop, the trainees are expected to undertake four practical activities: preparation of mini-business plan, business creation exercise, stamp book writing, and information seeking exercises. The business creation exercise is a process in which learners launch and run a real business during the training workshop. The business that the participants are supposed to create either individually or in pairs should be different from the ones that they have been owning and running before. The business creation exercise is a platform in which the

trainees practice all the competencies and behaviors that they would learn during the workshop. Consequently, the trainees are expected to practice business planning by preparing mini-business plan for the business that he or she creates during the training workshop; practice information seeking to make sound decision for the business created during the workshop; and write down entrepreneurial behaviors that he or she have learned and consciously practiced during the training workshop. The trainees will be certified for completing the training provided that they meet the minimum requirements, i.e., undertaking all these exercises on top of fully attending the workshop.

Sampling and Data Collection

I will use interviews, observations, and archival records to collect the data. I will rely most heavily on semi-structured interviews with the individual entrepreneurs who would apply to attend the training and successfully complete the training to be organized by an institution in Ethiopia. Face to face interviews with the respondents will proceed in three phases: two to three weeks before the training; three to four weeks after the training; and six months after the training. In the first phase, the interview data will be collected and analyzed to understand the nature of the pre-training opportunity recognition behavior of the participants. The objective of the second phase of the interview is to understand how the opportunity recognition behaviors of the participants are influenced by the training within the short run while the third phase of the interview is aimed at understanding how the training will continue to influence the opportunity recognition behavior of the respondents in intermediate time period. In other words, this phase of engagement with respondents is aimed at assessing whether the respondents will continue to be guided by the skills they have learned during training or revert to their pretraining practices in their endeavor to recognize, assess, and evaluate entrepreneurial opportunity, and thereby shedding light on the longevity of the influence of training on opportunity recognition. The first stage of the interview will be conducted at the premise of the institution that organizes the training while the second and third phases will be conducted at the workplaces of the entrepreneurs.

Besides, I will observe the respondents and informally discuss with them during the training about new skills that they would have been gaining during the workshop and how they are planning to implement them afterwards. Furthermore, interview data will be supplemented by other relevant archival data that the respondents maintain before, during, and after the training. Some of these archival data may perhaps include informants learning goals during the training,

action plans that the informants prepared at the end of the training, and any other documents that are maintained by the informants before and after the training (e.g., new idea generations brainstorming exercises, personal diary, memos of discussions held with customers, diagrams of new project prototype, business plan, etc.).

The participants will be selected based on the principle of purposive sampling to make sure that information rich examples are studied. Accordingly, two important criteria will be taken into consideration in selecting respondents among those who would apply to take part in the training: 1) only those who have or had established business(es) before attending the training will be purposely selected to participate in the interview with the assumption that they would be able to speak about their pre-training opportunity recognition experiences; and 2) among those who fulfill the first criterion, only those who own the business privately will be included in the list of respondents. This is because, the post training behavior may not be accurately captured if the business is owned by two or more entrepreneurs some of whom might have not attended the training. Besides, the adoption of purposive sampling would enable me to maximize variation of conditions such as entrepreneurs who started the business recently versus those who have longtime experiences.

Analysis

By using the grounded theory design, analysis of the data will proceed in three principal stages. In the first, second and third stages, I will extract from the data the pretraining, post training (in the short run), and post training (in the intermediate time period) opportunity recognition behaviors of the respondents, respectively. In so doing, an iterative method, an approach often used in an inductive qualitative data analysis, will be used in analysis. This iteration involves traveling back and forth between the data and an emerging structure of theoretical argument (Locke, 2001). Accordingly, following the analysis will begin with transcribing the interview to interpret the data and detect emerging patterns in the informants' evidence. Two stages of coding will follow the transcription of data. Identifying statements regarding informants' views of the world by means of open coding which will be followed by a more abstract coding, axial coding (Locke). Based on the iterations between data and theoretical framework, possible framework grounded on data will be identified. This will be followed by re-examination of data fit and misfit with the emerging theoretical understanding (Locke). Analysis and theoretical argument will be developed by comparing the pre-training and after training opportunity recognition behaviors of the informants.

References

- Baron, R. A. (2004). The cognitive perspective: a valuable tool for answering entrepreneurship's basic "why" questions. *Journal of Business Venturing*, 19(2), 221–239. [https://doi.org/10.1016/S0883-9026\(03\)00008-9](https://doi.org/10.1016/S0883-9026(03)00008-9)
- Becker, G. S. (1993). *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*. University of Chicago Press.
- Biru, A., Gilbert, D., & Arenius, P. (2020). Unhelpful help: The state of support programmes and the dynamics of entrepreneurship ecosystems in Ethiopia. *Entrepreneurship & Regional Development*, 16: 1–23. <https://doi.org/10.1080/08985626.2020.1734267>
- Campos, F., Frese, M., Goldstein, M., Iacovone, L., Johnson, H., McKenzie, D., & Mensmann, M. (2017). Teaching Personal Initiative Beats Traditional Training in Boosting Small Business in West Africa. *Science*, 357, 1287-1290. [DOI: 10.1126/science.aan5329](https://doi.org/10.1126/science.aan5329)
- Corbin, J., Strauss, A.L., (2008). *Basics of Qualitative Research*, 3rd edition, Sage, Thousand Oaks.
- Gindling, T.H. and Newhouse, D. (2014). *Self-employment in the developing world*. *World Development*, 56, 313-331. <https://doi.org/10.1016/j.worlddev.2013.03.003>
- Locke, K. (2001). *Grounded theory in management research*. Thousand Oaks, CA: Sage.
- McKenzie and Woodruff. (2014). What are we learning from business training evaluations around the developing world? *World Bank Research Observer*, 29: 48-82. <https://doi.org/10.1093/wbro/lkt007>
- Nabi, G., Liñán, F., Fayolle, A., Krueger, N., & Walmsley, A. (2017). The impact of entrepreneurship education in higher education: A systematic review and research agenda. *Academy of Management Learning & Education*, 16 (2), 277–299. <https://doi.org/10.5465/amle.2015.0026>
- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1), 217–226. <https://doi.org/10.2307/259271>
- Wales, W. J. (2016). Entrepreneurial orientation: A review and synthesis of promising research directions. *International Small Business Journal*, 34: 3–15. [DOI: 10.1177/0266242615613840](https://doi.org/10.1177/0266242615613840)