

FACTORS INFLUENCING TRANSITION TO SELF-EMPLOYMENT FROM ORGANIZATIONAL EMPLOYMENT

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ABSTRACT

This study examined the factors influencing transition from organizational employment to self-employment among high school teachers in Southwestern Nigeria. A cross-sectional survey was carried out and questionnaire was used to elicit information from respondents who were randomly selected. The Statistical Package for Social Scientists was used to analyze the data. The study revealed the significance of parent's involvement in business and entrepreneurial training in the development of entrepreneurial intention among respondents. Data analyses revealed associations between father's involvement in business and the propensity of offspring to engage in self-employment. The study concluded that the influence that parents' involvement in business will have on offspring's entrepreneurial intention should be a motivating factor to policy makers to formulate policies that will provide enabling environment for such businesses. Also, entrepreneurial training should be intensified for the youths to foster the development of entrepreneurship in the country.

Background

Willingness to start one's own business after acquiring certain level of experience from organizational employment has been a subject of entrepreneurship research (Mungai and

Velamuri, 2011). Studies have shown that factors such as family business or parental entrepreneurial role model may influence the decision of an offspring to choose self-employment as a career (Taylor, 2001; Sorenson, 2007). Those whose parents are in self-employment or own a family business have a higher propensity to become self-employed than those without such background (Taylor, 2001; Dunn and Holtz-Eakin, 2000). Entrepreneurs' children tend to both inherit family firms and are more willing to start up their own businesses (Niittykangas and Tervo, 2005). Although the positive influence of parental self-employment on the offspring's subsequent entry into self-employment is well acknowledged, other influencing factors also exist and studies on these are still on-going. Some factors such as age (Barling et al, 1998), parent's work satisfaction (Dunn and Holtz-Eakin (2000), and parental performance in business (Hundley, 2006) have been established in the literature. A review of literature on this subject shows that although, studies on the influence of parents on offspring's entrepreneurial propensity abound, information generated from Nigeria is still very scanty. Hence, to fill this gap, this study investigates factors that influence transition from organizational employment to self-employment among high school teachers. The research question is two-fold: (i) How does father role model differ from mother role model in influencing offspring's entrepreneurial propensity, and (ii) What other factors influence transition from organizational employment to self-employment?

Our first research question is motivated by studies within social learning theory on role models which propose that one way by which learning occur is through the observation of behaviors in others referred to as role models (Bandura, 1977). Literature on social learning theory has not explained how father role models differ from mother role models in influencing their offspring's entry into self-employment. This is an important literature gap which this study tries to fill.

We believe that entrepreneurial propensity is a complex issue that is influenced by a number of variables, so based on three theories/models: Social Learning Theory, Theory of Planned Behaviour (Ajzen,1991), and Shapero and Sokol's (1982) Entrepreneurial Event Model, and following the *life cycle approach*, which conceptualizes entrepreneurial careers in nine major categories: educational environment, the individual's personality, childhood family environment, employment history, adult development history, adult non-work history, current work situation, the individual's current perspective, and the current family situation, we propose a model of

transition to self employment that includes childhood family entrepreneurial environment, entrepreneurial employment history, entrepreneurial education, and the individual's current perspective on self-employment. We also included social /demographic and person variables (e.g., gender and age). We included gender in the model, as the literature (e. g., Hisrich, Peters, and Shepherd, 2005) indicates that although the characteristics of male and female entrepreneurs are generally very similar, female entrepreneurs differ in terms of motivation, business skills and occupational backgrounds. Also, Luzzo (1993) has shown that career decision making attitudes are significantly predicted by age.

Literature Review

In the review of entrepreneurial propensity and entrepreneurial intention literature three theories/models were found relevant to this study: Social Learning Theory, Ajzen's (1991) Theory of Planned Behaviour, and Shapero and Sokol's (1982) Entrepreneurial Event Model. A brief overview of these three theories/models will be given.

Social Learning Theory

Studies on role models within social learning theory posit that one way by which learning can occur is through the observation of behaviours in others which is referred to as role models (Bandura, 1986). Having role models who exemplify possible career choices is a critical aspect of an individual's development (Krumboltz et al., 1976), including career choices (Miers, Rickaby and Pollard, 2007). Parents are most likely to serve as significant role models in their children's career choices (Barling, Dupre, and Hepburn, 1998) by influencing their offspring's aspirations and work values in adolescence and early adulthood (Halaby, 2003). Also, it has been argued that from a young age, children perceive their parents' work satisfaction and this perception affects their work beliefs and attitudes (Barling et al, 1998) and that the effects of self-employed parents on the propensity of their offspring to become self-employed are greater for those parents with larger, more successful businesses (Hundley, 2006).

Mungai and Velamuri (2011) stated that within social learning theory, studies have argued that a role model may sometimes discourage the observer from undertaking the behavior exhibited by the role model. These so-called “negative role models” inspire people by highlighting mistakes that must be avoided so as to prevent them (Lockwood, Jordan, and Kunda, 2002). Low parental performance in self-employment may have a “negative role model” effect on their offspring’s choice of a self-employment career (Scherer, Adams, Carley, and Wiebe, 1989). Few studies have investigated the economic impact of self-employment failure (Harting, 2005) while some, though very few, investigated the non-economic impacts of self-employment failure. Also, how parental failure in self-employment influences their offspring’s propensity to take up an entrepreneurial career has been explained in literature (Mungai and Velamuri, 2011).

Theory of Planned Behaviour

Ajzen (1991) argued that considered actions are preceded by conscious decisions to act in a certain way. He submitted that intentions were the result of attitudes formulated through life experiences, personal characteristics and perceptions drawn from prior experiences. He proposed three determinants of intention: *Attitude toward the behavior*, *subjective norm* and *perceived behavioural control*. According to him, *attitude toward the behavior* is ‘the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behavior in question.’ Attitude is a composite variable comprised of both cognitive and affective element that supports the mindset toward entrepreneurship as a lifestyle or career or activity, whether positive or negative.

Subjective norm is the perceived social pressure to perform or not perform the behavior. This variable is influenced by both broad cultural attitudes toward entrepreneurship and the attitude of particular individuals, groups and networks the person is most influenced by, such as family, friends, peers and significant ‘others.’

Perceived behavioural control is the perceived ease or difficulty of performing the behavior. It is assumed to reflect past experience, as well as anticipated impediments and obstacles.

Models of Entrepreneurial Event

Shapero and Sokol (1982) identified key social factors that led to what they called 'entrepreneurial events,' or the act of starting a business. Central to their model were the perception by the individual of the desirability and the feasibility of launching a new venture combined with some propensity to act on opportunities, and then triggered by a displacement event. Although many variables are expected to influence an individual's intention to act in a certain way, research supports the mediating effect of the three variables outlined in the model, namely *perceived desirability*, *perceived feasibility*, and *propensity to act* (Krueger, 1993).

As a process model, Shapero and Sokol (1982) argued that the displacement made one open to consideration of different paths that he/she could choose. They proposed that any path being considered had to be perceived as not only desirable but also feasible and that there had to be some general propensity to act on an alternative.

Displacement events were conceptualized as situations, positive, such as an opportunity is presented to get into business for oneself, or negative, such as being laid off from a job, or more neutral as in life transition situations, such as graduating from college. To Shapero and Sokol, these were necessary to break people out of the 'ruts' they develop over time.

Perceived desirability reflected the personal attractiveness of starting a business and very closely relates to Ajzen's attitude and subjective norm variables (Krueger et al., 2000). This is impacted by social background, which comprised broader cultural influences as well as family, friends and personal exposure to entrepreneurship.

Perceived feasibility refers to the level or degree of personal competence to start a business as felt by the person.

Propensity to act reflects a person's predisposition to act on a decision. Shapero and Sokol's (1982) model presupposes an individual's willingness to act on choices. It is similar to risk-taking propensity and tolerance of ambiguity, defined as a person's willingness to take action when outcomes are not known (Shane, 2003).

Methodology

Survey method was used for the study. A set of well structured questionnaire was administered on 250 teachers of secondary schools in Oyo and Osun States of Nigeria. (Nigeria is a republic in Western Africa). Data was gathered from both private and public schools. Systematic random sampling method was used. This group of respondents was purposively selected because they have organizational employment but it is generally believed that they are not economically buoyant because they are not well paid compared to their colleagues in other sectors of the economy. Hence, they may intend to become self-employed in order to acquire more wealth since entrepreneurship is believed to foster wealth creation. The questionnaires were hand delivered and retrieved. Out of the retrieved questionnaire, only 189 were found useful for the analysis. This study has only one dependent variable and this is ‘respondent’s entrepreneurial intention.’ The independent variables are (i) Father’s self-employment status, (ii) Mother’s self-employment status, (iii) Age of offspring, (iv) Sex of offspring, (v) Academic qualification (vi) Field of study. Descriptive (frequency and percentage) and correlation statistics were used to analyze the data.

Results and Discussions

Majority (52.9%) of the respondents were male while the rest (47.10%) were female. Majority (73.50%) were below 35 years of age, 14.30% were between 36 years and 40 years, while 12.20% were above 40 years (Table 1). The academic qualification of the teachers varied. While some have postgraduate degrees such as M.Sc. and PhD (14.30%), majority (55.0%) have first degrees, while teaching assistants (30.70%) have lower qualifications such as National Certificate in Education (NCE) and Ordinary Level School Certificate.

Table 1: Respondents gender and age

Gender	Frequency	Percent
Male	100	52.9
Female	89	47.1
Total	189	100.0
Age		
20-25yrs	41	21.7
26-30yrs	52	27.5
31-35yrs	46	24.3
36-40yrs	27	14.3
Above 40yrs	23	12.2
Total	189	100.0

Table 2: Respondents Highest Educational Qualification

Education level	Frequency	Percent
O'level	2	1.1
NCE/ND	56	29.6
HND/BSC/B.A	104	55.0
Msc/PhD	27	14.3
Total	189	100.0

The fields of study are grouped into four major categories (Table 3): engineering/technology, sciences, management and humanities. Anyone whose field of study did not fall into any of the

above was advised to pick ‘others’ and specify. The management category has the highest percentage (31.70%). This was followed by humanities (29.60%), science (24.30%), engineering/technology (12,20%) and others (2.10%).

Table 3: Respondents’ Fields of Study

Field of study	Frequency	Percent
Engineering/technology	23	12.2
Science	46	24.3
Management	60	31.7
Humanities	56	29.6
Others	4	2.1
Total	189	100.0

The fathers of most of the respondents were self-employed (Table 4); 38.60% was fully employed while 28.00% was partially self-employed. Only 33.30% was not self-employed at all. Also for the mothers, majority was self-employed (Table 5); 43.90% was fully self-employed while 31.20% was partially self-employed. Only 24.90% was not self-employed.

Table 4: Fathers’ Self-Employment Status

Father description	Frequency	Percent
Fully self employed	73	38.6
Partially self employed	53	28.0
Not self employed	63	33.3
Total	189	100.0

Table 5: Mothers' Self-Employment Status

Mother description	Frequency	Percent
Fully self employed	83	43.9
Partially self employed	59	31.2
Not self employed	47	24.9
Total	189	100.0

The respondents answered “yes” or “no” to the question “were you involved in any business?” This was interpreted to mean that a respondent had done a business of his/her own in the past or currently has a business he/she does aside his/her current job. Most of them (126:67.40%) responded “yes” while the remaining (61:32.60%) responded “no”. Also, to the question “Do you intend to be self-employed in future?” majority (158:84.50% responded “yes” while the remaining 29 (15.50%) responded “no”. Majority (130:68.80%) claimed to have undergone some form of entrepreneurial training while 59 (31.20%) have not.

The perception of the respondents on self-employment is positive. 56.20% felt that it is better than salaried job, 33.00% felt that it is a good alternative for salaried job, but 10.80% felt that self-employment is not an option, they believe that it is the responsibility of the government to provide job for the citizens.

Table 6: Respondents' Perception on Self-Employment

Perception about self-employment	Frequency	Percent
Self-employed is better than salaried job	104	56.2
Self-employed is good when one cannot get job	61	33.0
Self-employment is not good, government should create job	20	10.8
Total	185	100.0

Correlation analysis (Table 7) shows that the impact of two factors, father's self-employment and entrepreneurial training were significant at the 0.05 level. The other independent variables were not significant. The findings of this study agree with previous studies that having self-employed parents increases the likelihood that the offspring will take-up self-employment. Entrepreneurship studies have argued that individuals' transition from organizational employment to self-employment may be influenced by parental role models and some other factors. The results have shown clearly that there is positive significant relationship between father's involvement in business and the propensity of offspring to engage in self-employment. This may be partly on mentorship ability of fathers or the influence they have over their offspring particularly those who lived with their parents until they become adult. More so this may have occurred because the majority of the respondents are male. Findings from a previous study (Lampard, 1995) have indicated that both parents' occupational class has independent effect on the child attaining a service class occupation regardless of the biological sex of the child. The data also reveal that the mother's occupation had an even greater impact on the occupational attainment of female children. This suggests that the impact of parental role model on offspring may differ by the gender of the children.

The impact of father role model may also be explained based on socio culture. In Yoruba land where the study was conducted, male children are expected and tend to follow the father as a role model, while the female offspring are expected and tend to follow the mother as a role model. This is in line with Hoselitz sociological theory (Chhabra, 2010). Sociologists have argued that entrepreneurship is most likely to emerge under a specific social culture. They felt that social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship. Hoselitz (1964) formulated his socio-cultural theory on the assumption that certain persons are endowed with creative power in any cultural or social group and they develop different attitudes while practicing social conduct.

The impact of entrepreneurial training on the offspring choice of becoming self-employed cannot be overemphasized as training constitute an important channel where potential entrepreneurs are identified, fully equipped with relevant information for success and have their morale boosted. The result of this study corroborates the submission of Akudolu (2001). Entrepreneurship

education as defined by Akudolu (2001) is the acquisition of knowledge, skills and attitude to enable the learner apprehend life challenges in whatever form and take decisive steps to realize new trends and opportunities for meeting those challenges in all aspects of human life. He also affirms that “the goal of entrepreneurship education is for learners to acquire entrepreneurial capacities and skills that will make them to be self-reliant and self-employed.

Table 7: Correlation analysis

E-intention	1	2	3	4	5	6	7	
E-intention	1							
Age	-.092	1						
Sex	.134	-.158*	1					
Education level	.040	.338**	-.165*	1				
Field of study	-.084	.106	.032	.001	1			
Father involvement in business	.187*	-.233**	-.016	.040	.021	1		
Entrepreneurial training	.160*	-.123	-.064	.022	-.058	.285**	1	
Mother involvement in business	.105	-.125	.170*	-.081	-.008	.380**	.102	1

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Conclusion

This study concludes that although the influence of parental role model has been established in literature, it is the father role model that has this influence, especially on male offspring, not the mother role model. Also, the impact of entrepreneurial training on entrepreneurial propensity has been established by this study. This suggests that if regular entrepreneurial training is organized

for high school teachers it will further stimulate them on translating to self-employment as a career.

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