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## Motivation, competences and the moderating role of business discontinuance on the entrepreneurial effect of self-employment

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**Abstract:** This paper interrogates the dynamic relationship between motivation, competences, business discontinuance and the entrepreneurial effect. Arguing that self-employment has the potential to reduce unemployment in subsequent periods, this study uses mixed models to exhibit the moderating role of business discontinuation on the entrepreneurial effects of self-employment. It depicts this with data from 2013 on 10,003 youth entrepreneurs from nine Sub-Saharan countries. The empirical results confirm the existence of a significant moderating effect on motivation and the entrepreneurial effect. We also find that this effect is higher in younger males with more years of formal education.

**Keywords:** entrepreneurial effect; motivation; competence; self-employment; business discontinuance; Sub-Saharan Africa; mixed models.

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## **1 Introduction**

The relationship between self-employment and unemployment is fraught with complexity resulting in confusion and ambiguity for both scholars and policy makers (Thurik et al., 2008). While unemployment can cause self-employment, it is also argued that self-employment can reduce unemployment. This dualistic relationship can therefore have positive effects, where unemployment causes self-employment, i.e., the 'refugee' effect or negative effects where self-employment reduces unemployment in the long run – the 'entrepreneurial' effect. Both effects have been discussed extensively in theoretical and empirical studies (Hessels et al., 2008; Audretsch, 2007). However, the concept of entrepreneurial effect still requires further analysis (Thurik et al., 2008) because it has an inverse relationship with unemployment which challenges many economies today. The entrepreneurial effect leads to the hiring of new employees, the increase in production that comes with the opening of new enterprises and the attendant knowledge creation that takes place with new firm activity.

Through a meta-analysis, Unger et al. (2011) found that there is a small but significant relationship between human capital and entrepreneurship. In their study, they conceptualise human capital as investments (education/experience) and outcomes of these investments (skills and knowledge) and found a weaker link for the former. Moreover, they posit a greater relationship between human capital and entrepreneurship in developing countries compared to developed countries. We hinge our work on what they refer to as a human investment outcome and instead denote it as competences. An individual's competences such as knowledge, experience and skills are useful in firm growth (Bartlett and Ghoshal, 1997). Although several characteristics of an entrepreneur can be broadly categorised into competences (Man et al., 2000); it is how these integrate with an entrepreneur's role that makes them important. We argue that competences such as having knowledge and skills, a role model and ability to see opportunities in the local environment are vital for enterprise growth through job creation.

Baumol (1968) in highlighting the centrality of the individual in the entrepreneurial process asserted that the individual's motivation is central to the entrepreneurial process. Subsequent studies have reported mixed results with some being critical (Aldrich and Zimmer, 1986) and yet more recent research is bringing motivation to the fore of the entrepreneurship debate. Carsrud and Brännback (2011) state that entrepreneurial motivation research is an important aspect of the entrepreneurial process that has been examined only at the margins so far and still needs more understanding. Leading entrepreneurship scholars such as Locke and Baum (2007) argue that an understanding of the role of entrepreneurial motivations is useful in understanding their impact on entrepreneurial decisions and subsequently the entrepreneurial outcomes.

The Global Entrepreneurship Monitor (GEM) popularised the classification of individual level motivations into opportunity or necessity (Reynolds et al., 2003), which

is similar to a 'pull' and 'push' dichotomy. They describe an opportunity driven entrepreneur as one who is driven by the achievement of success while the necessity entrepreneur is driven by the need to survive. The attempt to lump entrepreneurs in either one of these categories while parsimonious has been met with stiff resistance (Langevang et al., 2012; Rosa et al., 2006). Langevang et al. (2012) explain how entrepreneur's motivations are constantly in flux and caution against using a current motivation as the only motivation. In addition, Rosa et al. (2006) questioned the accuracy of the necessity thesis by exhibiting that the really poor people cannot even start a business venture. Currently, GEM further distinguishes the opportunity driven motivation into independence motive and wealth attainment motive (Xavier et al., 2013). But even these classifications may not be appropriate to capture all entrepreneurs especially those whose are not necessarily profit driven. Given the contentiousness of what denotes entrepreneurial motivation, the current study adopts the GEM motivation distinction because it is the most widely used in quantitative studies like this one.

Business discontinuation has been described as a stage in entrepreneurship (Levie and Lichtenstein, 2010) despite at times carrying negative connotations for the community in which the entrepreneur operates (Cardon et al., 2011). There is a high failure rate of small enterprises that is attributed to both internal and external factors. Cope (2011) posits that there is a higher level learning that emerges from recovery from business failure. Entrepreneurs who have previously closed a business learn about themselves, the business itself, the nature of networks and relationships and critical aspects of venture management (Cope, 2011). It is thus important to explore business discontinuance among entrepreneurs because it increases the entrepreneur's preparedness for further entrepreneurial activity.

This study examines young entrepreneurs in Sub-Saharan Africa, exploring their job creation potential and how it relates with unemployment. We seek to answer the broad research question, to what extent do competences, motivation and business discontinuance experience influence the entrepreneurial effect? A more specific question of what is the moderating effect of business discontinuance on the above relation is also explored because we predict that if one has experience from a failed venture then they will have more entrepreneurial effects. Sub-Saharan Africa is an ideal context in which to test this argument because an insight into which type of entrepreneurship reduces unemployment is of practical importance to policy makers and governments. These findings inform policy makers on how best to support the burgeoning youth entrepreneurship (Xavier et al., 2013) and it further guides their understanding on what promise lies within the youth cohort. Additionally, this paper informs theory by linking environmental and contextual factors to entrepreneurship behaviours.

The entrepreneurial effect concept is complex and needs to be unravelled (Thurik et al., 2008). It proposes that creating a new venture should reduce unemployment and improve the performance of a country. It reduces unemployment at the macro level when firm start-ups hire others produce more products and spur competition (Acs and Szerb, 2007). This concept has been supported empirically by Audretsch and Thurik (2000) who showed that an increase in the number of business owners reduced unemployment. Conversely, Blanchflower (2000) did not find a positive impact on self-employment and GDP growth when she examined the OECD countries. Carree et al. (2007) later clarified that it is when a country has relatively low self-employment rates, that there will be benefits of self-employment on GDP.

## 2 The Sub-Saharan African context

The World Bank predicts that economic growth in Sub-Saharan Africa will increase from 4.7% to 5.2% in 2014. The sustainability of the current growth rate is threatened by unemployment and a large youth cohort. Dawa and Namatovu (2014) in reference to the importance of women entrepreneurship in Africa explain the unemployment conundrum and how when unaddressed affects not only the individual but a large section of society. In most of Africa, entrepreneurship has been seen in the light of self-employment (Acs and Szerb, 2007) and yet, we cannot accurately explain why youth in Africa resort to self-employment or if their self-employment activity will reduce unemployment in future.

Although the official unemployment rate of Sub-Saharan Africa of 7.6% is not significantly different from that of the rest of the developed economies, it is important to recognise that this average does not include the under employed or the working poor, who are defined as those that engage in work that is not economically viable to improve their livelihoods or lift them out of poverty.

Africa has a growing youth population with 62% of the population under the age of 25 years (Stiglitz et al., 2013) and records show that youth are up to three times more likely to be unemployed than adults. There is an urgent need for the continent to find suitable employment for the growing workforce. Entrepreneurship is acknowledged as a driver of sustainable economic growth as entrepreneurs create new businesses, drive and shape innovation, speed up structural changes in the economy, and introduce new competition thereby contributing to productivity (Acs and Szerb, 2007). It is therefore, unsurprising that policy makers and governments in Africa are constantly devising initiatives to encourage youth entrepreneurship (World Bank, 2008).

On average, individuals in Sub-Saharan Africa countries have higher positive attitudes towards entrepreneurship than other geographic regions covered by GEM. There is a large informal sector in most of Sub-Saharan Africa (Schneider, 2005). Many business are small and often in trade and the extractive sector of agriculture, fishing and mining. Herrington and Kelly (2012) revealed that while Sub-Saharan Africa has many entrepreneurs, the majority of them are one account businesses with no employees (see Table 1). Many young people in developing economies begin their working lives engaged in family businesses (likely to be an informal enterprise), and few make the transition to paid employment in the formal sector (ILO, 2013).

**Table 1** Employment levels, Sub-Saharan Africa, GEM 2012

<i>Country</i>	<i>No jobs</i>	<i>1–5 jobs</i>	<i>20 + jobs</i>
Angola	4.4	66.3	6.1
Botswana	43.3	53.1	0.4
Ghana	59.1	38.3	0.2
Malawi	81.5	18.5	0
Namibia	6.2	80.6	3.1
Nigeria	38.1	55.1	2.2
South Africa	14.2	72.5	4.5
Uganda	58.8	40.1	0
Zambia	18.3	69.9	1.9

*Source:* Herrington and Kelly (2012)

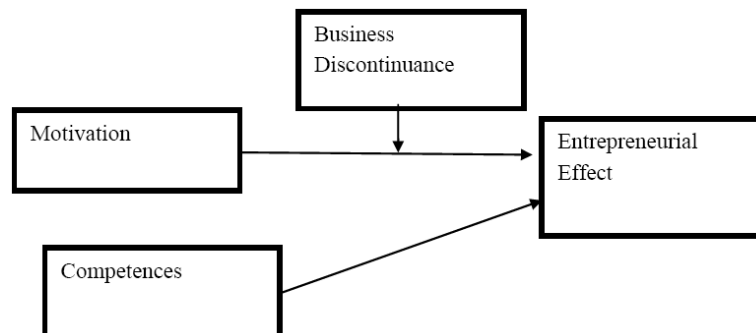
Youth unemployment and productivity is attributed to lack of employable skills; lack of access to resources like land and capital, lack of focus by government organisations on the informal sector and agriculture and negative attitudes towards work especially in the agricultural sector (Musiime, 2007). This is further exacerbated by the early school drop-out rates in many poor families.

### 3 Theory development and hypotheses

Expectancy theory proposes that action will occur when the actor believes that his or her efforts will yield desirable outcomes (Vroom, 1964). The theory is important and has been widely used in explaining motivation in entrepreneurship. The theory explains phenomena based on three relationships:

- 1 belief that exerting a certain amount of *effort* can result in achievement of a particular level of *performance* (the relationship between effort and performance)
- 2 belief that a particular *performance* level will result in a specified desired *outcome* (instrumentality relationship)
- 3 the reward or desired outcome must be attractive for people to be motivated to attain it (valence-personal goals relationship) (Gatewood et al., 2002).

Figure 1 Conceptual framework



In this research, we conceptualise entrepreneurial effect as a process based on the effort-performance-outcome model. We construe competences to represent the knowledge and skills necessary to motivate one to engage in job creation. The theory further proposes that belief that a particular performance level is attainable will result in a specified outcome. In this paper, we propose that experience of business failure informs the entrepreneur of requisite levels of performance that are necessary to avert a repeat of the failure. The third condition of the theory purports that the outcome must be attractive in order for people to be motivated to attain it. In this paper, entrepreneurial effect is the desired outcome for the entrepreneur as it reflects growth which may translate into job creation and reduction of unemployment within the economy.

#### **4 Motivation and entrepreneurial effect**

Locke and Baum (2007) describe entrepreneurial motivations as an inner drive toward entrepreneurial goals, which energise, direct, and sustain new venture creation and growth.

Based on the GEM classifications, we consider the opportunity entrepreneur who seeks success as more likely to achieve growth. We suggest that this entrepreneur is likely to exert a lot more effort, draw on his/her expertise, seek the increase of productivity and achieve the attendant increase in employment. Wiklund and Shepherd (2003) suggest that if growth is under volitional control then the entrepreneur's personal motivation is a key in achieving this growth. This informs our first hypothesis stated as follows:

Hypothesis 1 Entrepreneurs who pursue ventures because they perceive an opportunity are likely to have a positive entrepreneurial effect.

#### **5 Competences and entrepreneurial effect**

Shane (2003) demonstrated that entrepreneurs have to possess a wide variety of skills, knowledge and abilities to succeed. Baum and Locke (2004) showed that possession of competences facilitated venture growth. Recent literature has highlighted the role of competences in the entrepreneurial process. Entrepreneurial competencies are considered a higher-level characteristic encompassing personality traits, skills and knowledge, and therefore can be seen as the total ability of the entrepreneur to perform a job role successfully (Man et al., 2002). In this paper, we embrace a wider definition of competences to include the knowledge skills and abilities but also the access to role models (Scherer et al., 1989) and opportunity recognition (Chandler and Jansen, 1992). Competence breeds trust anchored in previous experience facilitating the relationships with employees, suppliers and customers. Ryan and Deci (2001) show that individuals' feelings of satisfaction and sense of self-worth are enhanced when they engage in tasks they feel competent to accomplish, and actually accomplishing such tasks further enhances their perceived competence. Entrepreneurial competencies are therefore considered important for business growth and success (Mitchelmore and Rowley, 2010). Brinckman (2008) opines that despite the importance of this construct the literature is still scarce. While Dencker et al. (2009) found that an entrepreneur's breadth of knowledge has a negative influence on the firm's job creation, yet, the entrepreneur's leadership experience has a positive influence. Sullivan and Marvel (2011) found that entrepreneur's business-related knowledge set is positively and significantly related to the number of workers employed. We therefore hypothesise as follows:

H2 Entrepreneurial competence will be positively and significantly associated with the entrepreneurial effect.

## 6 The moderating effect of business discontinuance

During the entrepreneurial process, entrepreneurs acquire experience-based knowledge. “Experience produces increased knowledge about things and contributes to ‘objective’ knowledge in so far as its results can be transmitted to others. However, experience itself can never be transmitted; it produces a change – frequently a subtle change – in individuals and cannot be separated from them” [Penrose, (1959), p.53]. Experiences gained during the life of an enterprise therefore become an inimitable resource in subsequent entrepreneurial activity. Experiences can manifest themselves in a number of ways including start-up experience, management experience, and experience of working in rapidly growing organisations which have been found to explain, in part, the growth of small firms (Birley and Westhead, 1994). These experiences can be drawn from a number of sources notable of which is previous business experience. We suggest that this experience influences the strength of the relationship between motivations, competences and the entrepreneurial effect by working as a moderator. Considering that in this context there is a high business discontinuation rate and a high entrepreneurship rate we choose to focus on experience of business discontinuance as reflective of experience. In fact, Wiklund and Shepherd (2003) adduce evidence that experience moderated the relationship between growth aspirations and growth. Previous research shows that entrepreneurs who have discontinued a business in the past tend to start others (Hessels et al., 2011). Corbett et al. (2007) consider failure to be functional providing the entrepreneur the opportunity to learn. We believe therefore that this discontinuance provides a learning opportunity that ensures better performance. Wiklund and Shepherd (2003) challenge previous studies on motivations and growth stating that they ignore the moderating influence of other variables. Sullivan and Marvel (2011) also opined that the relationship between the entrepreneurs’ knowledge and number of employees would be moderated, in their case, they tested the moderating effect of network ties. We therefore hypothesise as follows:

Hypothesis 3 Having discontinued a business will moderate the relationship between motivation and the entrepreneurial effect.

## 7 Methodology

This work is based on the GEM Adult population survey of 2013. GEM is a worldwide collaborative research project by entrepreneurship scholars that uses a standardised questionnaire to explore entrepreneurial activities, attitudes and aspirations. This instrument is sent out to at least 2,000 randomly selected adults in each participating country. The work is based on harmonised cross sectional data collected in nine Sub-Saharan African countries; Angola, Botswana, Ghana, Namibia, Malawi, Uganda, Nigeria, South Africa and Zambia. The sample was made up of a total of 10,003 entrepreneurs who were randomly selected from the aforementioned countries based on a household survey. Details of how each country selected the sample can be found in their individual GEM 2013 national reports available at <http://www.gemconsortium.org>.

## **8 Analysis**

We used correlation analysis and mixed models in SPSS to analyse the data. The advantage of using the mixed models in a multi-country study is that it statistically caters for any country variances that may be in the data. While analysing the data, other control variables that could change the statistical meaning of the data were considered.

### *8.1 Entrepreneurial effect*

Understanding what explains the current entrepreneurial activity is done using proxy variables such as growth aspiration and level of innovation. The presence of growth aspiration and innovation represents the entrepreneurial affect while the lack of these represents the refugee effect. In this study, therefore, the entrepreneurial effect is coded as the product of job growth and innovation. Innovation was measured as a mean of market, product and technology innovations, based on GEM innovation questions of:

- a Will all, some, or none of your potential customers consider this product or service new and unfamiliar?
- b Right now, are there many, few, or no other businesses offering the same products or services to your potential customers?
- c Have the technologies or procedures required for this product or service been available for less than a year, or between one to five years, or longer than five years?

Innovation was measured on a scale of 1 to 3.

Job growth was measured as the logarithmic difference between future number of jobs and the current number of jobs. This was measured as negative for contraction, 0 for constant size, and positive for expansion.

Given that all the responses for all the above questions are self-reported, we argue that coding them into one composite variable could reduce the bias that could have been included in the responses. Therefore, the entrepreneurial effect was measured as the product of innovation and job growth.

The entrepreneurial effect is thus explained as negative, for all negative values, no entrepreneurial effect for all zero values and positive for all positive values.

### *8.2 Competences*

We measure competence by coding a competence indicator that is comprised of three binary response questions of:

- 1 Do you know someone personally who started a business in the past 2 years?
- 2 In the next six months, will there be good opportunities for starting a business in the area where you live?
- 3 Do you have the knowledge, skill and experience required to start a new business?

These three variables significantly correlated with each other and we therefore coded them as a competence indicator by taking their average. 1 represents high competence, 0 no competence.



### 8.3 Motivation

Motivation was measured based on the question ‘are you involved in this start-up to take advantage of a business opportunity or because you have no better choices for work?’ Those who indicated a response to take advantage of a business opportunity were considered as entrepreneurs with an opportunity motive and were coded as 1 and the others as 0.

### 8.4 Control variables

We used four control variables. Given the contextual differences among participating countries we control for country effects, age of the respondent, youth dummy variable (> 35 years = 1), gender (male = 1) and the number of years of formal education.

## 9 Results

### 9.1 Descriptive statistics

The findings presented in Table 2 show that the majority (61%) of the self-employed youth registered a positive entrepreneurial effect. This means that these youth entrepreneurs have the potential to employ others consequently reducing unemployment rates in the country. The rest of the self-employed youth (38%) showed no entrepreneurial effect. These youth are largely only capable of self-employment and therefore their entrepreneurial ventures are more likely to remain small. The remaining 1% had a negative entrepreneurial effect, meaning that their ventures are neither likely to create employment nor survive.

**Table 2** Distribution of entrepreneurial effect among self-employed young entrepreneurs in Africa

<i>Entrepreneurial effect</i>	<i>Percentage representation</i>
Negative entrepreneurial effect	1.7
No entrepreneurial effect	38.1
Positive entrepreneurial effect	61.1

Note: Entrepreneurial effect: negative is shrinking size, 0 is no change in size, and positive is expanding size.

### 9.2 Parametric tests

Table 3 presents the correlation analysis and the result show that there is a negative significant relationship between motivation and business discontinuation, the more young entrepreneurs are opportunity driven, the less likely they are to discontinue their business.

There is a significant positive relationship between motivation and entrepreneurial effect. This shows that the more a young entrepreneur is opportunity driven in starting their venture, the more likely they will have an entrepreneurial effect. This implies that entrepreneurs who are driven by opportunities to start their businesses have a higher

likelihood of growing their enterprises by creating more jobs, and consequently reducing unemployment.

The findings further show that there is a significant positive relationship between entrepreneurial competencies and opportunity motivation, business discontinuance and entrepreneurial effect. This means that the more competent entrepreneurs are more likely to be opportunity driven, have potential to create more jobs when they have discontinued a business.

**Table 3** Correlation matrix

Variable	1	2	3	4
1 Business discontinuance	1			
2 Motivation	-0.040**	1		
3 Entrepreneurial effect	-0.012	0.151**	1	
4 Competence	0.049**	0.054**	0.038**	1

Note: \*\*p = 0.001

There are significant relationships between the predictor variables and the entrepreneurial effect thus satisfying the condition for testing for moderator effects. Business discontinuance was examined as a moderator of the relation between motivation and the entrepreneurial effect.

Using linear mixed models analysis, we controlled for country, age, number of years of education and gender. Competence, business discontinuance and motivation were first entered as main effects (see Table 4). The findings show that these effects are higher for those with more formal years of education, the male and youth.

The results as displayed in Table 4 show support for Hypothesis 1 and they show that entrepreneurs who pursue ventures because they perceive opportunities are more likely to have an entrepreneurial effect.

a H1: Entrepreneurial effect = 0.53 + 0.27\*opportunity Motivation

They also support Hypothesis 2 and they show that entrepreneurial competences are positively associated with entrepreneurial affect.

b H2: Entrepreneurial effect = 0.53 + 0.23\*Entrepreneurial competences.

This means that the effects of motivation and competencies on entrepreneurial effect in Sub-Saharan Africa are higher for the male, youth (18–34 years) with more years of formal education.

**Table 4** Regression

Predictors	Estimate	Std. error	Degree of freedom	T	Sig.
Variable	0.530964	0.189400	9.675	2.803	0.019
Years of formal education	0.040394	0.003627	8,094.886	11.137	0.000
Gender (male = 1)	0.136759	0.028517	8,124.888	4.796	0.000
Motivation (Opp = 1)	0.269072	0.029118	8,127.421	9.241	0.000
Business discontinuance	0.078268	0.038610	8,130.946	2.027	0.043
Age (dummy 25–34 years)	-0.103667	0.028766	8,125.687	-3.604	0.000
Entrepreneurial competence	0.231966	0.057066	8,129.471	4.065	0.000

Testing Hypothesis 3, we entered the interaction term between business discontinuance and opportunity-based motivation in the model and it explained a significant 2% increase in variance in the entrepreneurial effect (see Table 4). Thus, business discontinuance is a significant moderator of the relationship between motivation and the entrepreneurial effect confirming Hypothesis 3.

$$\begin{aligned} \text{H3 : Entrepreneurial effect} &= (0.55 + 0.24 * \text{Motivation} \\ &- 0.01 * \text{Business discontinuance} + 0.2 * \text{Motivation} * \text{Business discontinuance}) \\ &- (0.53 + 0.27 * \text{Motivation} + 0.08 * \text{Business discontinuance}) \end{aligned}$$

$$\begin{aligned} \text{Entrepreneurial effect} &= 0.02 - 0.03 * \text{Motivation} - 0.09 * \text{Business discontinuation} \\ &- 0.2 * \text{Motivation} * \text{Business discontinuation} \end{aligned}$$

H3 Change in entrepreneurial effect = 0.02  $p < 0.05$

**Table 5** Moderating effect of business discontinuance

<i>Parameter</i>	<i>Estimate</i>	<i>Std. error</i>	<i>Degree of freedom</i>	<i>t</i>	<i>Sig.</i>
Intercept	0.546047	0.189826	9.683	2.877	0.017
Years of formal education	0.040541	0.003626	8,094.268	11.181	0.000
Gender (male = 1)	0.136393	0.028507	8,123.874	4.785	0.000
Motivation (Opp = 1)	0.235490	0.031779	8,124.798	7.410	0.000
Business discontinuance	-0.010626	0.051283	8,125.874	-0.207	0.836
Age (dummy 25–35 years)	-0.104483	0.028757	8,124.670	-3.633	0.000
Competence	0.231729	0.057046	8,128.456	4.062	0.000
Motivation * Business discontinuance	0.199769	0.075882	8,125.817	2.633	0.008

## 10 Discussion

In this study, we examined the direct and interactive relationships between motivations, competences, business discontinuance and the entrepreneurial effect. We use the expectancy theoretical lens to develop a model of entrepreneurial effects (job creation) through entrepreneurial motivation and competences. Consistent with past studies, we found that motivation and competences relate to the entrepreneurial effect. However, the relationship between motivation and the entrepreneurial effect appears more complex than stated. We show that it depends in part on experience derived from past business discontinuation.

We adduce a positive and statistically significant relationship between entrepreneurial motivation and the entrepreneurial effect. The results suggest that the reason one gets into entrepreneurship influences the entrepreneurial effect of this individual which is reflected in the employment created subsequently. That is, an opportunity driven entrepreneur's enterprise is more likely to create more jobs and therefore reduce unemployment than a necessity driven one.

This work attempts to clarify the puzzle of why entrepreneurship reduces unemployment in some cases and not others. Previous studies have shown that opportunity driven entrepreneurship engenders growth (Locke and Baum, 2007). Others argue that motivations change depending on the circumstances and dichotomising them into opportunity and necessity is flawed (Langevang et al., 2012; Rosa et al., 2006).

The results echo those of Edelman et al. (2010) who not only found a positive relationship between entrepreneurial expectancy and growth but also adduced a mediating effect of business start-up in this relationship. Other scholars such as Storey (2011) suggest that chance and entrepreneurial optimism play a major role in determining firm growth. An alternative explanation for this finding may be that the opportunity motivation may be a proxy for another variable such as competences which enabled the identification of opportunities.

We further adduce a positive and statistically significant relationship between competence and the entrepreneurial effect. The results show that in circumstances where one is able to perceive good opportunities, possesses the knowledge and skills to act on these opportunities and enjoys the benefits of a role model, the individual's firm is likely to create employment. While previous research proposed that competencies were important for firm start-up and growth (Baron and Ensley, 2006; Parker, 2006; Unger et al., 2011), recent studies by Cassar (2014) and Mueller and Shepherd (2014) show that the role of competence in business performance is inconclusive with Cassar (2014) arguing that it is only possible if the impediments to learning and applying gained knowledge are overcome.

We argue that possession of competencies informs the entrepreneur's decision to grow the business through knowledge of where to access inputs and it also gives the entrepreneur the wisdom to delegate time consuming and less productive tasks.

Competence will lead to a better understanding of the market and knowledge of better production methods which in turn will lead to the need for more employees to satisfy existing customer needs. It may also lead to the pursuit of efficiencies through the contraction of the labour force. On the other hand, because the hiring of employees adds complexity, responsibility, and a host of challenges to the role of firm founder (Blanchflower, 2000), founders with higher competences should be able to address these challenges more easily – and thus create more jobs – than founders with less competences.

The more competent individual is more likely to identify entrepreneurial opportunities (Shane, 2000), increase work efficiency (Kor et al., 2007), and meet challenges (Yu, 2001). They are able to both increase earnings by reducing losses and interpret information that may translate into new opportunities.

Furthermore, our findings suggest that business discontinuance moderates the relationship between motivation and the entrepreneurial effect. An opportunity driven entrepreneur, with a business discontinuance experience is more likely to substantially reduce unemployment, thus reinforcing expectancy theory notion of experience gained from failure. Motivation coupled with business discontinuance experience is necessary for business performance. Business discontinuance experiences give the entrepreneur more insights/perspective of activities and the tenacity to address challenges.

Previous studies such as Wiklund and Shepherd (2003) have highlighted the importance of moderators in explaining growth. In the study, they show that experience moderates the relationship between growth aspirations and growth. In an alternative

explanation to our findings, Ucbasaran et al. (2013) state that some entrepreneurs who have experienced failure may have learned that growing a business rapidly can drain cash and may adopt a more conservative approach with their next ventures. While these new ventures may not be associated with high growth, such entrepreneurs may be highly satisfied with their new ventures because they feel they are applying what they learned from past experience.

Business discontinuance evokes mixed results in the literature. It is considered on the one hand to be capable of discouraging future entrepreneurship while on the other hand, it is viewed as a path for accumulation of experiences useful in future entrepreneurial ventures. In a recent study, Mueller and Shepherd (2014) to a certain extent differ with our findings showing that entrepreneurs who relied less on professional knowledge benefitted a lot more from failure experiences.

The findings also extend our understanding of the expectancy theory in the Sub-Saharan Africa context where limited research on motivations, competences and employment has been undertaken. The challenges of enterprise development and growth in this context are enhanced, engendering the possibility that outcomes may not be clearly defined by effort and expectations. The nature of action and effort may yield disproportionate outcomes compared to other contexts. Second, this study provides a finer-grained view of the contingency relationships between competences and motivations on important entrepreneurial phenomena by examining these constructs concomitantly.

By integrating premises of the expectancy theory, this study demonstrates how entrepreneurs can leverage their competences and motivations to impact economic development through reduction of unemployment.

Specifically, while business discontinuance is perceived in a negative light the lessons learned from this experience can be helpful in future venture performance. We believe this suggests that entrepreneurs carefully understand previous business failure and be open to learning from others who have closed businesses in the past exploring ways that they would have performed otherwise. Other stakeholders like the media also have a role of accurately reporting business failure dwelling on important lessons for other entrepreneurs and not stigmatising entrepreneurs for their failure.

Those with more experience of having closed a business may be advantaged because they can draw on previous lessons to avoid recurring of mistakes and the possibility of reckless enthusiasm. This poses a challenge to educators to develop teaching methods that can simulate failure and learning there from.

## **11 Contribution of the study**

This study provides a view of this relationship explaining the importance of micro factors in advancing research in the complex relationship between entrepreneurship and employment. Secondly, the results encourage us to rethink the blanket strategy of promoting entrepreneurship as a panacea of the unemployment without due consideration of other important factors. Motivations and competence as we have shown are crucial in this quest, but they are informed by a broad range of socio-economic interventions that may be ignored. We therefore advance the debate of entrepreneurship's contribution to national development by taking a micro perspective, thus providing useful insights on what may or may not work. Thirdly, this work provides evidence-based policy

recommendations that relate to socio-environmental aspects of the entrepreneur. Although government programs often address the funding and or training challenges of entrepreneurs, it is probable that if these are merged with the aforementioned, they will yield more desirable outcomes. Age, motivation, competence and business discontinuation influences the entrepreneurial effect of an entrepreneur, therefore while recruiting young entrepreneurs into programs information on the participant's previous activities is vital.

## **12 Limitations of the study**

While this paper has provided insights on what contributes to the entrepreneurial effect in a developing country, the research has certain limitations. Although the study controls for country effects, there are other contextual nuances that cannot be accurately incorporated in a quantitative study like this. Secondly, the use of the growth aspirations in the conceiving the entrepreneurial effect construct may have skewed the results, it is cross-sectional nature limits the ability to adduce temporal relations. A number of scholars including Wiklund et al. (2003) justify the use of this construct but growth is not absolutely under the volitional control of the entrepreneur. A longitudinal study tracing the actual growth of the firms would eliminate the growth measurement challenge and may provide additional insights especially in terms of the changing nature of motivations.

## **13 Conclusions**

The findings of this study suggest that opportunity motivation and competences predict the entrepreneurial effect. Importantly, it highlights the moderation effects of business discontinuance to relationship between motivation and entrepreneurial effect. It means that business failure positively imprints on individual's entrepreneurial acumen. Businesses fail but entrepreneurs do not fail, they learn from the failure.

However, there could be other predictors of entrepreneurial effects; therefore scholars should further explore the characteristics and behaviours of self-employed youth in Africa. Moreover, there is need for a deeper understanding of the Sub-Saharan African context, such that more nuanced studies incorporating environmental and cultural predictors reliable to specific countries are explored and tested.

While governments are dedicating huge budgets to youth entrepreneurship programs, what works has not yet been discovered. This academic work guides policy makers in making more informed policy initiatives. We therefore recommend that on youth entrepreneurship are done so that predictor variables more.

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