

**THE ROLE OF MANAGERIAL EXPERIENCE IN ENTREPRENEURIAL  
SUCCESS: A CASE OF FORMER CORPORATE EXECUTIVES IN PRIVATE  
SECTOR IN KENYA**

**By**

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## DECLARATION

This project is my original work and has not been submitted to any other University for examination purpose.

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### **Declaration by Supervisor**

This research project has been submitted with my approval as the University supervisor

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## **DEDICATION**

I dedicate this work to my family i.e. my husband- Fasber Jhuthi and my children Tahniya, Zainab and Fathi. I do also like to extend my sincere appreciation to all who believed in me and instilled in me a spirit of hard work during tutorials and the entire study struggle by encouraging me always to aim high.

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I salute you all.

## **ABSTRACT**

The Kenya private sector has over the years substantially contributed to the country's economic development process. Figures indicate that the sector contributes over 80% of the GDP; more than 50% of wage employment; and the bulk of export earnings. Kenya is a strong and regional financial capital enabling it to be rated as having the second largest stock market in Africa. However, business in Kenya for some time had been left to the Kenyans of Asian origin or those who have failed to attain high level of education; but since the turn of the millennium, Kenya is experiencing an explosion in the growth of entrepreneurial business. Studies indicate that more Kenyans are working to start their own businesses.

Prior researches on entrepreneurship have mainly focused on entrepreneurial challenges, characteristics and behaviorism; with none linking work experience to entrepreneurial success. No research has established how highly-trained group of executives who leave corporate environments to start businesses of their own perform entrepreneurially.

The purpose of the study was to establish the role of managerial experience in entrepreneurship success and to establish what factors influence the relationship between managerial experience and success. This study was a cross sectional descriptive survey undertaken among former corporate executives in private sector in Kenya. The target population consisted of all former corporate executives in private sector in Kenya. A sample size of 50 respondents was surveyed using semi-structured questionnaires. Data was analyzed using descriptive statistics such as the frequencies, mean and the standard deviations.

The study found that managerial experience played a very important role in entrepreneurship as it brings along analytical competence, operational competences, strategic competences and relationship competences. The study also found that factors that influence the relationship between managerial experiences and success were such as problem solving skills, social relation skills, risk taking, negotiating skills, team work, creativity, technical knowledge, marketing, administration, planning skills and communication skills which were acquired through employment. The study concludes that while these managerial skills were mostly administrative, as entrepreneurs, they needed the same for business run-up and growth. Therefore, work experience does matter.

The study concluded that whereas entrepreneurs acknowledged that their work experience assisted them in their new ventures, they felt that entrepreneurship involved more than education, knowledge and experience. They indicated that to be a successful entrepreneur, one needed to learn new skills 'a street smartness', vital to his/her survival. These skills included flexibility, openness to new experiences, and a new way of looking at things.

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## **LIST OF ABBREVIATIONS**

GDP	-	Gross Domestic Product
GoK	-	Government of Kenya
KAM	-	Kenya Association of Manufacturers
KEPSA	-	Kenya Private sector Alliance
KIM	-	Kenya Institute of Management
PSDS	-	Private Sector Development Strategy
SPSS	-	Statistical Package for Social Sciences
STDEV	-	Standard Deviation

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

It is often said that a person cannot win a game they do not play. In the context of entrepreneurship, this statement suggests that success depends on people's willingness to become entrepreneurs. Moreover, because the pursuit of entrepreneurial opportunity is an evolutionary process in which people select out at many steps along the way, decisions made after the discovery of opportunities – to positively evaluate opportunities, to pursue resources, and to design the mechanisms of exploitation – also depend on the willingness of people to “play” the game (Scott, Shane and Locke, 2003).

It is clear that entrepreneurship is important for economic growth, productivity, innovation and employment. Since the beginning of time people have been formulating ideas to serve the greater good. Business in Kenya for some time had been left to the Kenyans of Asian origin or those who have failed to attain high level of education (secondary education and upwards). This was attributed to the fact that white collar jobs were easily available to the school graduates. The jobs also offered greater rewards and prestige. However, since the turn of the millennium, Kenya is experiencing an explosion in the growth of small entrepreneurial business. Studies indicate that more Kenyans are working to start their own businesses than ever before (Gathogo, 2003). Entrepreneurial activities are substantially different depending on the type of organization that is being started and ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities.

### **1.1.1 Concept of Entrepreneurship**

Entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled (Bygrave, 1994 and Timmons, 1994). Entrepreneurial processes are essentially driven by the desire to start a new venture, or re-invent and radically transform existing company. Schumpeter (1934) described an entrepreneur as one who “destroys” the existing economic order by introducing new products and services, by creating new forms of organization, or by exploiting new raw materials. Entrepreneurs are also identified as the organizers of uncertainty (Knight, 1921), that is, they recognize and seize opportunities that result from uncertainties. Entrepreneurial activity can be carried out by the founding of a new business or enterprise or it can be conducted in a previously existing business (Gartner, 1985 and Low and MacMillan, 1988). The essence of entrepreneurship is innovation (Schumpeter, 1934 and Drucker, 1985) leading to wealth creation (Khandwalla, 1987) and sustained growth of corporations (Lumpkin and Dess, 1996 and Ray and Ramachandran, 1996).

Entrepreneurship is all about changes (Akpomi, 2008). Wilken (2005) categorized into five key types of changes usually initiated by the entrepreneur; initial expansion, subsequent expansion, factor innovation, production innovations and market innovations. According to Akpomi (2008), there are different types of entrepreneurs, nascent entrepreneurs (those who think about business), novice entrepreneurs (first timers), serial entrepreneurs (those who establish several businesses in sequence), habitual entrepreneurs (several business in parallel), entrepreneurial managers (have characteristics of entrepreneurs but is an employee) and intrapreneurs (those who display

entrepreneurial characteristics whilst working in an organization, that is, corporate executives).

Locke (2000) postulated that all human action is the result of both motivational and cognitive factors, the latter including ability, intelligence, and skills. In the context of entrepreneurship, success depends on people's willingness to become entrepreneurs. Entrepreneurship is not solely the result of human action; external factors also play a role (e.g., the status of the economy, the availability of venture capital, the actions of competitors, and government regulations). However, environmental factors being held constant, human motivation plays a critical role in the entrepreneurial process. Moreover, because the pursuit of entrepreneurial opportunity is an evolutionary process in which people select out at many steps along the way, decisions made after the discovery of opportunities—to positively evaluate opportunities, to pursue resources, and to design the mechanisms of exploitation—also depend on the willingness of people to become entrepreneurs (Shane, Locke and Collins, 2003).

Entrepreneurship depends on the decisions that people make about how to undertake that process. Aldrich and Zimmer (1986, p. 3), for example, write, entrepreneurial activity “can be conceptualized as a function of opportunity structures and motivated entrepreneurs with access to resources.” The motive for entrepreneurship lies in the urge to identify sources of existing and emerging customer dissatisfaction and developing solutions to eliminate them (Ramachandran, 2003).

The internal factors that motivate entrepreneurs desire for success/need for achievement, self esteem, need to provide for the family, skills already acquired, need for discovery of

business world inborn talents, social orientation among others (Akpomi, 2008). Morales-Gualdrón, Gutiérrez-Gracia and Dobón, (2009), analyzed motivation of entrepreneurs that comprises six dimensions: personal, relating to the entrepreneurial opportunity, to scientific knowledge, to the availability of resources, to the incubator organization, and to the social environment.

Entrepreneurship has its own challenges that every entrepreneur faces. According to Abdulla (2009), one of the key challenges is stand out in the marketplace which requires careful planning and disciplined implementation. Other challenges include lack of adequate credit or financial constraints, unreliable supply of raw materials, inputs, power, labour, high cost of inputs, unfavorable market fluctuations, uncertainty based risk and complex rules, regulations and procedures framed by the government.

However, one popular image of successful entrepreneurship that informs research on individual entrepreneurs concerns the person who starts a new business, nurtures it through the startup stage, drives it to growth and finally a sale, merger or a public offering. According to Timmons (1994), entrepreneurs and non-entrepreneurs might at first be assumed to have the same interests in mind for their firms - growth, profitability, and concern for other important constituencies. However, entrepreneurs may be more likely to envision the organization strategically as an extension of themselves and their needs.



### **1.1.2 Private Sector in Kenya**

The Kenya private sector has over the years substantially contributed to the country's economic development process. Figures indicate that the sector contributes over 80% of the GDP; more than 50% of wage employment; and the bulk of export earnings. The country has been able to build a strong private sector which has in turn contributed significantly to the creation of a diversified economy. It has withstood both external (Terrorism Acts of 1998, 2001) and internal shocks (post election violence of 2008). Kenya is a strong and regional financial capital enabling it to be rated as having the second largest stock market in Africa. The country has been able to build a large and strong manufacturing sector. The private sector is home to the tourism sector, hosts tea & horticulture and apart from the economic contributions and the need to safeguard the growth sectors; there is also need to improve the country's investment climate for the sector's operations.

Small and Medium sized Enterprises, a subset of the private sector contribute 18.4% to Kenya's GDP and cuts across all sectors of the Kenyan economy. They not only create demand and supply for goods and services, but also offer excellent opportunity for maturity of entrepreneurial talent. However, SME's face other problems in addition to those faced by other enterprises like access to finance, limited access to markets, skills, technology and an unfavorable tax regime which does not encourage SME's to register and graduate to the formal sector. On the other hand, the Government of Kenya has produced an integrated strategy for promoting private sector development in Kenya, known as the Private Sector Development Strategy (PSDS). It aims to increase the co-ordination of activities across the Government of Kenya, and improve harmonization of

activities by the GoK, development partners, the private sector and civil society. The purpose of the PSDS is to catalyze the provision of an enabling environment, which will enhance private sector growth and competitiveness.

### **1.1.3 Role of Managerial Experience in Entrepreneurship**

Historically, corporate executives are known for numerous allowances and ‘fat’ payment for ‘little’ work done as they mostly formulate strategies that are implemented by the ‘ordinary’ workforce, their liability for ineffectiveness of the decisions they make are limited to job forfeiture and nothing more. Therefore, Ennico (2009) in a comparative analysis of corporate executives and entrepreneurs averred that if an executive wants to succeed as an entrepreneur, he/she has to grow a new skin; or, more precisely, a new way of looking at the world. According to Ennico, the attitudes that helped one survive in a large corporation will often get him/her killed when starting a business of his/her own. Ennico (2009) highlighted some key ways successful entrepreneurs look at the world differently than successful corporate executives that might make the latter fail as an entrepreneur.

To begin with, successful entrepreneurs focus on results, not process. According to Ennico (2009), corporate executives often spend too much time worrying about process, protocol and getting team consensus when undertaking projects. Entrepreneurs are all about performance, production and getting results, that is, executives excel at planning; entrepreneurs excel at execution. Secondly, successful entrepreneurs are not perfectionists. According to Ennico, corporate executives often cross every "T," dot every "I," and cover their rears 10 ways 'til Tuesday before making a decision, risking what he

termed as "paralysis by analysis." Entrepreneurs realize that market opportunities don't wait — by the time one has gotten all the information he/she needs to make a decision, the opportunity has passed.

Thirdly successful entrepreneurs know how to sell. Many corporate executives are good at finance, human resources, information technology, "strategic marketing" and other disciplines but have never had to sell a thing in their lives. Successful entrepreneurs are, almost always, terrific salespeople, and realize that marketing and selling oneself, ones products and services takes priority. Entrepreneurs thus spend at least one-third of her/his business time networking for leads, making sales calls and getting your message across to current and potential customers, failure of which the business' sales pipeline dries up and business will fail (Ennico, 2009).

While we do hear about the success stories of some entrepreneurs, the struggles that each one goes through never come to the fore. The ET-Synovate Entrepreneurship Survey-II among established entrepreneurs across sectors in India found out what is it that pushed them to start up on their own (Sharma, 2010). Interestingly, 95% of the entrepreneurs have worked in a corporate establishment before starting up. Of the respondents, 67% had 0-5 years of experience before they decided to turn entrepreneurs (gaining valuable work experience and probably expertise in their domain of choice). And if the ET-Synovate Entrepreneurship Survey is any thing to go by, a good number of corporate executives usually have business ideas up their sleeve and some even work on their business plans alongside their work in a corporate setting.

## **1.2 Statement of the Problem**

While the study of entrepreneurship is booming, most research focuses on the internal factors behind entrepreneurship, such as the family origins and personal strengths of company founders, the effectiveness of various marketing strategies, and the secrets of business plan design. Certainly, there is a direct correlation between many of these factors and business success, but other factors may play a part as well (Bhide, 2000).

In recent years, considerable attention has been devoted to the "glass ceiling" - the seemingly impenetrable barrier that prevents some mid-managers from moving up to the executive suite (Lawlor 1994, Morrison, White, and Van Velsor 1987 and Walbert 1995). Consistent with the research of Hisrich and Brush (1985), these experienced executives who leave the large organization to become entrepreneurs may be leaving their corporate positions due to the glass ceiling, in effect an organizational push motivator. A study in America economy by Census Bureau 1991 Nearly 31% of entrepreneurs have had previous executive/management or supervisory experience prior to starting their own businesses (Census Bureau 1991). However, no research has established how these highly-trained group of executives who leave corporate environments to start businesses of their own perform entrepreneurially. Prior researches have only focused on entrepreneurial characteristics and behaviorism with none linking work experience to entrepreneurial success (Kariuki, 1989, Muriithi, 2005 and Mungai, 2006). Therefore, this study, investigates two important questions: what role executives' managerial experience plays in their entrepreneurial motivation, what experiences these ex-executive entrepreneurs go through and relationship between executive experience and entrepreneurial success.

### **1.3 Objectives of the Study**

The broad objective of the study was to establish the experiences of former corporate executives in entrepreneurship. It was broken-down into the following specific objectives:

- i. To establish the role of managerial experience in entrepreneurship success.
- ii. To establish what factors influence the relationship between managerial experience and success.

### **1.4 Significance of the Study**

The findings of this research are important for several reasons. Executive experience and entrepreneurial success has, hitherto, received little research attention. Investigation of executive experience and entrepreneurial success will provide needed insight into whether executive work experience has any relevance to entrepreneurial success. Consultants to executives considering entrepreneurship would better understand the afore-mentioned relationship between work experience and entrepreneurial success and would be able to help these executives make informed career decisions. The study would also allay fears that there is indeed life after corporate employment; and may motivate executives to move on and establish their own ventures thus creating employment for others. It would aid Government agencies, scholars and researchers interested in this area as reference material.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter presents the past or previous studies that have been done and theories advanced on entrepreneurship. The chapter is hence broken down into role of personality (conscientiousness, agreeableness, extraversion, neuroticism and openness to experience) on entrepreneurial intention, corporate versus entrepreneurial survival skills, influence of managerial and entrepreneurial knowledge on entrepreneurial success and knowledge gap.

The word entrepreneur and the concepts derived from it such as entrepreneurial, entrepreneurship and entrepreneurial process are frequently encountered in discussions of the management of new, fast growing, innovative business ventures. These concepts are easily related. Entrepreneurship is what an entrepreneur actually *does*. It is the process of gathering and allocating the resources—financial, creative, managerial, or technological—necessary for a new venture's success (Ridge and Irwin, 1985). Entrepreneurial refers to the *approach* they take. The entrepreneurial process is what the entrepreneur *engages* in (Wickam, 1998).

Entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled (Bygrave, 1994 and Timmons, 1994). Entrepreneurial processes are essentially driven by the desire to start a new venture, or re-invent and radically transform existing company. Schumpeter (1934) described an entrepreneur as one who “destroys” the existing economic order by introducing new products and services, by creating new forms of organization, or by exploiting new raw

materials. The essence of entrepreneurship is innovation (Schumpeter, 1934 and Drucker, 1985) leading to wealth creation (Khandwalla, 1987) and sustained growth of corporations (Lumpkin and Dess 1996 and Ray and Ramachandran 1996).

Some of the most important questions to ask about entrepreneurship are the kind that takes a look at self; that is, ones personality, ones skills and ones willingness to commit to something that could demand constant attention for many years. First, why would someone want to become an entrepreneur? Clear, honest answers to this question help determine whether ones personal traits, skills, and commitment match his/her goals Rens, (2009).

## **2.2 Role of Personality on Entrepreneurial Intentions**

There is no real evidence to suggest that there is a single 'entrepreneurial personality'. People of any personality types, attitudes and dispositions, can - not only - become good entrepreneurs, but successful entrepreneurs (Wickam, 1998). The idea of traits in the personality of entrepreneurs provides a very important paradigm for the study of entrepreneurial motivation. Both personality type and trait are seen to be innate. Personality type or trait are also seen as being 'locked into' a person's mental apparatus, and therefore relatively fixed. They can change only slowly, or under special conditions. The way people behave is not predetermined, but is contingent on their experiences and the possibilities open to them.

There are five major dispositional dimensions that encompass human personality which have been used by industrial psychology as a basis to measure job-related attitudes, person-organization fit and other human resource inquiries. The personality factors

comprising the Big Five are *extraversion*, which represents the inclination to be sociable, assertive, dynamic, and directive; *agreeableness*, representing the tendency to be friendly, cheerful, accommodating, and supportive; *conscientiousness*, comprised of two major subfactors, achievement and dependability; *neuroticism*, (also called Emotional Stability) which is the tendency to exhibit poor emotional adjustment and experience disparaging effects such as fear, anxiety, and rashness, and *openness to experience*, which is the propensity to be inquisitive, creative, nonconforming and independent (Judge and Cable, 1997). Each dimension is scaled from high to low with high scores being representative of the most positive aspects of the dimension's characterization while low scores signify the reverse. In line with the objectives, this study discusses openness to experience in details.

### **2.2.1 Openness to Experience**

Openness to experience is the personality dimension that is expected to be most indicative of those who form stronger entrepreneurial intentions than others. This dimension assesses personal characteristics such as curiosity, broadmindedness, and intelligence, which may be reflected in an entrepreneur's venturesome spirit (Knight, 1921). Open individuals are curious and willing to entertain novel ideas and unconventional values (Costa and McCrae, 1992), like entrepreneurs (Kirzner, 1973). Because Open individuals are also nonconforming and autonomous (Goldberg, 1990), they should be less attracted to traditional employee roles and traditional organizational careers.



Personality traits are constructs to explain regularities in people's behaviour, and help to explain why different people react differently to the same situation (Cooper, 1998). Previous attempts to explore the relationship between personality traits and entrepreneurship have centred on the use of narrow traits (especially risk taking, achievement motivation and locus of control). However, many researchers suggest that achievement motivation is simply an artefact of cultural conditioning, and locus of control attracts similar criticism, seemingly being comprised of a mix of other dimensions of personality and cognition (Kline, 2000). However, all of the great entrepreneurs know the secret to their personality type and they use it to their advantage.

The attributes of people making decisions about the entrepreneurial process influence the decisions that they make and ultimately their entrepreneurial success. McGrath, MacMillan and Scheinberg (1992) pinpointed key attributes of entrepreneurs to be risk-taking propensity, need for achievement, locus of control, over-optimism and desire for autonomy. Timmons (1999) studied numerous entrepreneurs and found that the successful ones shared common attitudes and behaviours which are: work hard, driven by intense commitment and determined perseverance, optimistic outlook, strive for integrity, burn with the competitive desire to excel and win, dissatisfied with the status quo and seek opportunities to improve almost any situation, use failure as a tool for learning, eschew perfection in favour of effectiveness and believe that they personally can make a difference.

## **2.3 Corporate Versus Entrepreneurial Skills**

Ennico (2009) sought to answer the questions as to why when ex-corporate people start businesses of their own, most of them aren't making it and thus concluded that to be successful, these ex-corporate needs to grow a new 'skin'; a new way of looking at the world. According to Ennico, the attitudes that helps one survive in a large corporation will often get them killed when starting their own businesses. Ennico (2009) listed some key ways successful entrepreneurs look at the world differently than successful corporate executives.

To begin with successful entrepreneurs focus on results, not process. Corporate executives often spend too much time worrying about process, protocol and getting team consensus when undertaking projects. Entrepreneurs are all about performance, production and getting results. Executives excel at planning; entrepreneurs excel at execution (Ennico, 2009). Secondly, successful entrepreneurs are not perfectionists. According to Ennico, corporate executives often cross every "T," dot every "I," and take long before making a decision, risking what he called "paralysis by analysis." On the contrary, entrepreneurs realize that market opportunities don't wait; by the time one has gotten all the information he/she needs to make a decision, the opportunity has passed.

Thirdly, successful entrepreneurs know how to sell. Many corporate executives are good at finance, human resources, information technology, "strategic marketing" and other disciplines but have never had to sell a thing in their lives. Successful entrepreneurs are, almost always, terrific salespeople, and realize that marketing and selling yourself, your products and services is takes priority.

Fourth, successful entrepreneurs don't care about "whys and wherefores". Corporate executives, being highly educated folks and "A students" by temperament, often base their decisions on ideas originating in their heads. They rationalize and defend these decisions using theories, models and "deductive reasoning". Successful entrepreneurs, while extremely intelligent, use their five senses instead, soaking up information from the real world around them and using "inductive reasoning" to base their decisions on what they see going on there. They believe that it isn't always necessary to know why something works, as long as it does (Ennico, 2009).

The fifth difference is successful entrepreneurs are flexible; corporate executives often become overly dependent on a single model of doing business and adapt to changing circumstances slowly and carefully, if at all. Entrepreneurs know that if something doesn't work, you do something else, and quickly. Seventh difference is that successful entrepreneurs are (often) neurotic. Corporate executives frequently get too complacent about their jobs, their markets, their products or services, and their future success. Successful entrepreneurs - increasingly, 'outcasts' from corporate world - have tasted failure, and know they can be there again in a heartbeat. As a result, fear becomes their best friend — it keeps them focused, sharpens their five senses and motivates them to keep looking for new problems, threats and opportunities after all others have accepted the status quo (Ennico, 2009).

According to Ennico (2009), whereas successful entrepreneurs are not always nice people, corporate executives often worry too much about what people think of them, and believe strongly in the motto "to get along one must go along." Successful entrepreneurs, under incredible pressure to get results, often have to take actions that are 'direct, in-

your-face' and (sometimes) unpleasant to the people around them; for example an entrepreneur can fire a longtime associate and close friend who isn't producing results. Lastly, successful entrepreneurs don't become "prisoners of their resumes." Corporate executives often become trapped by their resumes; if something isn't listed on it, then it's something they cannot or shouldn't undertake (or so they think). Successful entrepreneurs do not let a lack of knowledge, experience or talent get in the way of their success; when a good opportunity strikes, they take it, learn on the job and grab the business before their more experienced competitors even find out about it.

### **2.3.1 Corporate Entrepreneurial Success**

Entrepreneurial knowledge is unlike managerial knowledge (corporate executive). According to Kirzner (1973), entrepreneurship is the act of discovering an unexploited profit opportunity. Entrepreneurs look at the existing allocation of production processes and figure out a way to redirect or reallocate these processes to satisfy consumer demands. For Kirzner, entrepreneurs are operating outside of the normal production process; they create (i.e., production functions) what managers manipulate. Managers, meanwhile, take an existing production function as given and try to figure out the profit-maximizing combination of capital, labor, and land. As Holcombe (2007, p. 30) puts it, "good management means doing what one is doing as efficiently as possible while entrepreneurship means implementing something new."

According to Kirzner (1973), distinguishing between managerial information, which is the information necessary to operate a viable, on-going business, and entrepreneurial information, which is concerned with the identification of market opportunities, is

necessary for at least two reasons. First, the characteristics (skills, traits, knowledge, propensities, etc.) successful entrepreneurs bring to an activity are not the same as the characteristics brought by competent managers. Entrepreneurs are often thought to be creative, independent, risk-takers, while managers are relatively conservative, inflexible, risk-averse, and have the skills that can minimize average costs over the long run.

Since there is little overlap between the skills needed to be a good entrepreneur and the skills needed to be a good manager, there is some degree of specialization in the knowledge, talents and information offered by entrepreneurs and by managers. The fact that the entrepreneurial and managerial tasks are highly specialized means that a proper allocation of these two talents is crucial to firm survival. Second, a firm's long-run survival, as well as its market value, depend, in part, on the use of managerial information and not entrepreneurial information. Therefore, the information required by directed resources (i.e., the Coasian firm) is specialized in time, changes over time, and reflects changes in personnel or organizational emphasis or both. The importance of matching required information with the appropriate supplier of information is amplified further because actual decision-making in business, especially in small firms, is often characterized by simplicity or inertia. Even when consumer demands change or competition intensifies, firms often get stuck in patterns where decisions are based on what worked well in the past (Miller, 1993 and Lumpkin and Dees, 1995).

From a conceptual perspective, scholars have previously compared and contrasted the entrepreneurial and administrative (managerial) domains. For example, Hodgetts and Kuratko (2001) drew a distinction between entrepreneurial style (characterized by creativity, innovation, and risk-taking behaviors) and managerial style (characterized

planning and organizational behaviors) but did not see these as mutually exclusive: “the ability to remain entrepreneurial while adopting administrative (managerial) traits is vital to the venture’s successful growth” (p.345). Hisrich and Peters (1992), building upon the work of Stevenson and Sahlman (1986), contrasted entrepreneurial versus managerial approaches in terms of five key business dimensions—strategic orientation, commitment to opportunity, commitment of resources, control of resources, and management structure.

Within this overall context, competence-based frameworks present complementary framework for the analysis of managerial behaviors. Mukhtar (1998) in a study of entrepreneurship suggested that all firms operate inside a global competence space within which business-specific competencies may be identified. Following this line of thought Sadler-Smith, Hampson, Chaston and Badger (2003) propositioned that there is a global competence space comprising managerial behaviors that may be identified via functional analyses and articulated in competence standards; the global competence space comprises entrepreneurial management behaviors, administrative (non-entrepreneurial) management behaviors (Stevenson and Sahlman 1986) and generic (shared) management behaviors; management behaviors within smaller firms may be mapped within the global competence space, and particular firms may be hypothesized as possessing a portfolio of behaviors comprising entrepreneurial, administrative, and generic elements and as related to the organization’s entrepreneurial style. Furthermore, entrepreneurial style and the associated behaviors are hypothesized as predictors of performance in terms of high-growth (Birch, 1979) or low-growth (lifestyle or small business owner) types.

## **2.4 Role of Work Experience on Entrepreneurship**

Kantis, Ishida and Komori (2002) posit that work experience plays a very important role as an “incubator” for entrepreneurial motivation and skills, as well as contact networks. Networks, formed through work endeavors, are critical for new entrepreneurs to identify business opportunities, to gain access to financial resources, supplies, and know-how, and to face the challenges and problems involved in management during the company’s early years. The networks of dynamic entrepreneurs tend to include other SMEs and executives of large companies. According to Kantis, Ishida and Komori, by contrast, the educational system plays a very limited role in the acquisition of entrepreneurial motivation and skills. The entrepreneurs interviewed did not use the existing support and research institutions to solve problems when launching and managing their companies.

According to Lladós (2008), the appearance of a new business is often the result of a lot of talent, experience and systematic hard work by energetic people who invest a lot of time and hopes in transforming an idea or an invention into something that can be commercialized. Evidently, this desire for personal independence is associated with what they consider to be a higher social objective related to improved wellbeing that results from answering new or unsatisfied needs. Many entrepreneurs are driven to act because their aspirations are not satisfied in their present job. This drive will probably be more intense when the potential entrepreneur is aware that their ideas have a far higher value than the remuneration they get in the company where they work and when the mechanisms for retaining talent in the company do not work properly.

As Lladós puts it, though some local environments are conducive to the creation of knowledge-intensive businesses, it is the entrepreneurs with a high level of education, committed to ongoing education and with labour experience, who set up the businesses that display a better development in the market and that generate well-paid jobs. In many of these cases, the new business is not born in a university incubator or is the result of ideas that came out of a laboratory. Neither is it the extensive range of training courses that has fostered entrepreneurship but essentially the inability of the company where they work to remunerate their innovative ideas adequately (Lladós, 2008).

In Europe and the United States middle-aged people, persons with a high level of education and previous work and technical experience are the most active entrepreneurial group, with the greatest probabilities of success and who set up businesses demanding qualified and well-paid work. Some of the skills that an entrepreneur requires can also be acquired working for others, especially when they have team management and supervision experience. Significantly, a large proportion of successful entrepreneurs come from small- and medium-sized companies, as in these cases their previous professional experience was broader and less specialized (Lladós, 2008).

## **2.5 Knowledge Gap**

There exist very minimal literature on the experiences the ex-executives' or managers' go through when they set up their own businesses as entrepreneurs. Baumol (1993) separates managerial responsibilities from entrepreneurial acumen, but the distinction he draws is not incorporated into his analysis of entrepreneurship" but assume homogeneity in . Elsewhere, Holmes and Schmitz (1990) model a specialized "entrepreneurial tas



management skills across all individuals; that is, they assume all people are equally skilled managers. Some of the studies discuss either the ways in which the visions of entrepreneurship are likely to differ from the executives' or the role of vision in entrepreneurial success. These studies contrast the differences in lifestyle between entrepreneurs and executives that might make the latter find survival hard in entrepreneurship (Ennico, 2009 and Kirzner, 1973). This study will, thus, contribute towards filling-in this research gap by showing the role the executives' managerial experience plays in their entrepreneurial motivation, experiences these ex-executive entrepreneurs go through in their new business ventures and relationship between executive experience and entrepreneurial success.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the methods, tools and sources of research data, targeted groups and sample from which data was collected in order to attain the objectives of the study which was to find out the experiences of former corporate executives in entrepreneurship. It further discusses how the data was processed and tools used in data analysis and presentation.

### **3.2 Research Design**

The research was a cross sectional descriptive survey. According Moore, Burnett and Moore (1986), a descriptive study is concerned with finding out the what, where and how of a phenomenon and a survey design was chosen since in surveys, data is collected at one point in time from the entire population.

### **3.3 Target Population**

Target population in statistics is the specific population about which information is desired. The target population consisted of all former corporate executives in private sector in Kenya and who are members of Kenya Private sector Alliance (KEPSA), Kenya Institute of Management (KIM) and Kenya Association of Manufacturers (KAM). A pilot survey of 'calling' and 'emailing' was effected through the Kenya Institute of Management (KIM).

### **3.4 Sampling Technique**

Based on the membership list given by KIM (Kenya Institute of Management), KEPSA (Kenya Private Sector Alliance) the study used the snowballing sampling technique to come up with a sample size of 50 respondents. The snowballing technique was deemed to be appropriate as it is not easy to identify these entrepreneurs but may be known to each other.

### **3.5 Data Collection**

The study relied mostly on primary data sources. The researcher was in contact with the Kenya Private Sector Alliance (KEPSA); Kenya Institute of Management (KIM) and Kenya Association of Manufacturers (KAM). The three organizations had in principle agreed to facilitate the identification of their members previously engaged in employment. Primary data was collected using semi-structured questionnaires with both close-ended and open-ended questions. A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. Questionnaires have advantages over some other types of surveys in that they are cheap, do not require as much effort from the questioner as verbal or telephone surveys, and often have standardized answers that make it simple to compile data (Gall and Borg, 1996). However, such standardized answers may frustrate users and they might be limited by the fact that respondents must be able to read the questions and respond to them. The questionnaire was administered through emailing and drop and pick-later method to the sampled population.

### **3.6 Data Analysis**

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The study made use of descriptive analysis techniques. The data was coded to enable the responses to be grouped into categories. Descriptive statistics were used mainly to summarize the data. This included percentages and frequencies. A Lickert scale and the use of Statistical Package for Social Sciences (SPSS version 12.0) was employed. Tables, Pie charts and other graphs are used as appropriate to present and interpret the data collected for ease of understanding and analysis. Measures of central tendency were applied (mean, median, mode and percentages) for quantitative variables.

## **CHAPTER FOUR: FINDINGS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the data that was found on the role of managerial experience in entrepreneurial success: a case of former corporate executives in private sector in Kenya.

The research was conducted among former corporate executives in private sector in Kenya who are members of Kenya Private sector Alliance (KEPSA), Kenya Institute of Management (KIM) and Kenya Association of Manufacturers.

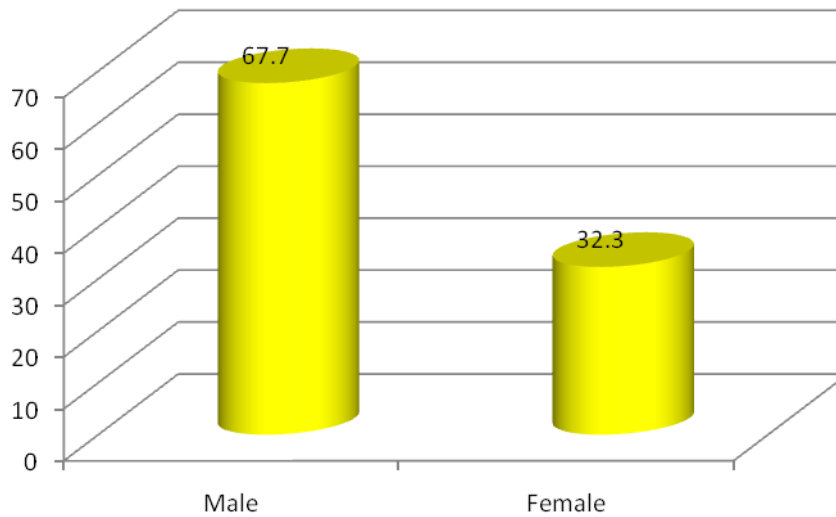
From the 40 corporate executive identified, 35 of them were served with questionnaires; however, only 31 questionnaires were returned duly filled-in by the respondents. This makes a response rate of 77.5% which is within Mugenda and Mugenda's (2003) prescribed significant response rate for statistical analysis which they established at a minimal value of 50%. This commendable response rate was made possible after the researcher personally administered the questionnaire and made further visits to remind the respondents to fill-in the questionnaires.

This study made use of frequencies (absolute and relative) on single response questions. However, on multiple response questions, the study used Likert scale in collecting and analyzing where a scale of 5 points were used in computing the means and standard deviations there-to computed. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose. Findings from open-ended questions were also presented in prose.

## 4.2 Demographic Information

The respondents were required to state their gender and the results were recorded in the Figure 4.1 below.

**Figure 4.1: Gender**



From the findings, majority of the respondents (67.7%) were male while 32.3% were female. This shows a discrepancy in gender distribution within the corporate executives in private sector in Kenya.

### 4.2.1 Age of the Respondents

The study sought to establish the age distribution of the respondents and the findings are stipulated on the table 4.2 below.

**Table 4.1: Age category**

	<b>Frequency</b>	<b>Percentage</b>
Below 30	1	3.2
30 - 34 years	2	6.5
35 - 39 year	3	9.7
40 - 44 years	6	19.4
Over 45 years	19	61.3
<b>Total</b>	<b>31</b>	<b>100.0</b>

From the findings 61.3% of the respondents were over 45 years, 19.4% were aged between 40-44 years, 9.7% were aged between 35-39 years while 3.2% were aged below 30 years. This indicates that majority of the former corporate executives who are now in the private sector are over 45 years of age. This shows that they have had enough managerial experience in entrepreneur skills.

#### **4.2.2 Level of Education**

In this section the respondents were required to state their highest level of education. The data findings are as presented in the Table 4.2 below.

**Table 4.2: Level of Education**

	<b>Frequency</b>	<b>Percentage</b>
Secondary certificate	2	6.5
Tertiary certificate	1	3.2
Diploma	10	32.3
Undergraduate	3	9.7
Postgraduate	15	48.4
<b>Total</b>	<b>31</b>	<b>100.0</b>

According to the findings of the study, 48.8% of the respondents had post graduates, 32.3% had diplomas, and 9.7% were graduates while only a small proportion of respondents (3.2%) had tertiary certificates. This depicts that majority of the former corporate executives had at least a diploma. This points out at the competence of the respondents in handling their business in the private sectors.

### 4.2.3 Position in Former Employment

The study also aimed at establishing the position of the respondents in the former employment. In line with this, the respondents were required to state their position in the employment and the findings were recorded in the figure 4.2 below.

**Figure 4.2: Position in Employment**



According to the findings 35.5% of the respondents were senior managers, 29% were general managers, 25.8% were chief executive officers while 9.7% were managers. This point to the reliability of the information as majority of the respondents held senior positions in their organization of former employment.



#### 4.2.4 Number of years working as an executive

The study also required the respondents to state the number of years they had worked as an executive and the findings were presented in the table 4.3 below.

**Table 4.3: Number of years working as an executive**

	<b>Frequency</b>	<b>Percentage</b>
0 - 2 years	1	3.2
3 - 5 years	4	12.9
6 - 10 years	11	35.5
Above 10 years	15	48.4
<b>Total</b>	<b>31</b>	<b>100.0</b>

From the findings, 48.8% of the respondents had worked as executive for over 10 years, 35.5% for 6-10 years, and 12.9% for 3-5 years while 3.2% had worked as executive for a period of less than two years. The findings shows that majority of the respondents had worked as executive for more than 6 years. This illustrates the competence of the respondent in the entrepreneurial skills owing to the load of experience in the corporate as executive.

#### 4.2.5 Other Business Run by the Respondent

The study required that the respondents state whether they had other business that they also run. The data findings were recorded in the table 4.4

**Table 4.4: Private Business Owned**

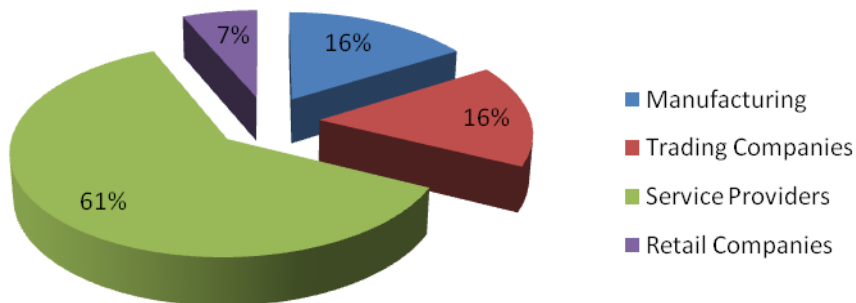
	<b>Frequency</b>	<b>Percentage</b>
No	4	12.9
Yes	27	87.1
<b>Total</b>	<b>31</b>	<b>100.0</b>

Out of 31 respondents, 4 (12.9%) did not have a private business while 27 (87.1%) had private businesses. Majority of the respondent run other private business as illustrated by the table above.

#### 4.2.6 Category of the Industry

The respondents were required to state the industry in which their company fell under and the findings were stipulated in the figure 4.3 below.

Figure 4.3: Category of Your Industry



From the findings, 61.3% were service providers, 16.1% were either manufacturing or trading companies. A small proportion of the companies surveyed (6.5%) were retail companies. This shows that the highest percentage of the respondents' business were in service provision industry.

#### 4.2.7 Employees in the Current Business Venture

The study also required that the respondents state the number of employees in the current business venture. The data finding was presented in the table 4.5 below.

**Table 4.5: Number of Employees in the Current Business Venture**

	<b>Frequency</b>	<b>Percentage</b>
5 and below	12	38.7
6 - 10	7	22.6
11 - 20	4	12.9
21 - 30	2	6.5
31 - 40	3	9.7
More than 40	3	9.7
<b>Total</b>	<b>31</b>	<b>100.0</b>

According to the study, 38.7% of the respondents had 5 or less employees, 22.6% had 6-10 employees, and 9.7% had 31-40 employees while a small proportion of employees had 21-30 employees. This depicts that majority of the business ventures were medium size ventures.

#### **4.2.8 Motivation to Starting New Business**

For those respondents who had private businesses, the study wanted to identify the motivation behind setting up of a private business. The data finding were presented in the table 4.6 below.

**Table 4.6: Motivation to Starting a Business**

	<b>No</b>	<b>Yes</b>	<b>Mean</b>	<b>STDV</b>
Need for independence	19	12	1.4	.50
Had a viable business idea	13	18	1.6	.50
Retrenchment or retirement	22	9	1.3	.46
Financial wellbeing	21	10	1.3	.48

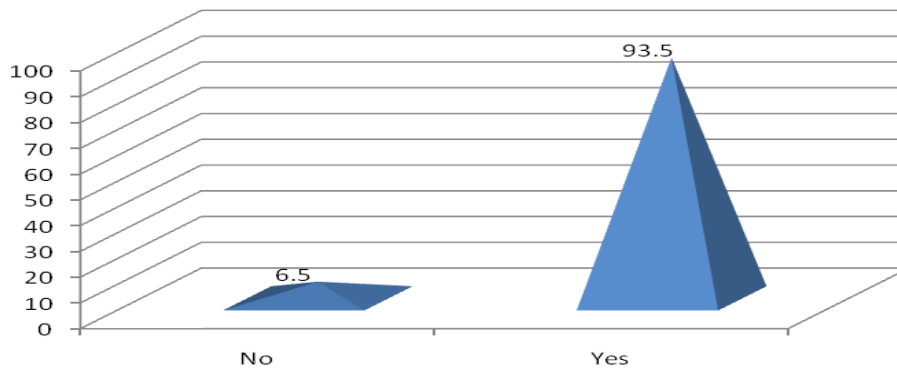
From the findings, viability of a business idea emerged as the biggest reason behind setting up of a private business with a mean of 1.6. This was followed by need for independence which had a mean of 1.4. Need for financial well-being and retrenchment/retirement scored the least both with a mean of 1.3 each. In this study, it is illustrated that, viability of a business idea, need for independence, need for financial well-being and retrenchment/retirement were the motivation of starting new business, listed in order of reducing importance.

### 4.3 Experiences in Entrepreneurship

#### 4.3.1 Entrepreneurs' Satisfaction

The researcher sought to establish whether the current status of the respondents as entrepreneurs brought them more satisfaction than being an employee. The data finding were presented in the figure 4.4

**Figure 4.4 : Entrepreneurs' Satisfaction**



The study found that majority of the respondents (93.5%) had more satisfaction being entrepreneurs than employees. This means that the respondent appreciated the spirit of freedom in terms of decision making hence the satisfaction.

### 4.3.2 Entrepreneurial Competences

The study also sought to establish the most useful background where the entrepreneurial competencies were learnt by the respondents. The study used Likert-type scale in collecting and analyzing the data on a scale of 1 to 2 with 1 point being assigned to No, while 2 was assigned to Yes indicating either agreement or disagreement with the source of learning competence entrepreneurial skills. The data finding were presented in the Table 4.7. Since the scales ranged from 1 to 2 making an interval of between the two extremes; the following decision keys can be developed: No (disagreement) 1.0 – 1.5 while Yes (agreement) 1.51 – 2.0.

**Table 4.7: Entrepreneurial competences**

	<b>Education System and Training</b>	<b>Social Institution</b>	<b>Work Experience</b>	<b>Family Backgrounds</b>
Problem Solving	1.3	1.3	1.8	1.2
Business Motivation	1.3	1.1	1.5	1.3
Social Relation Skills	1.2	1.5	1.5	1.5
Taking On Risk/Uncertainty	1.3	1.0	1.6	1.2
Negotiating Skills	1.2	1.1	1.6	1.2
Team Work	1.2	1.3	1.6	1.3
Creativity	1.5	1.2	1.6	1.2
Technical Knowledge	1.7	1.0	1.7	1.0
Marketing	1.6	1.2	1.6	1.1
Administration	1.4	1.0	1.8	1.1
Willingness For Hard Work	1.2	1.1	1.4	1.8
Planning Skills	1.5	1.1	1.7	1.2
Communication Skills	1.5	1.2	1.6	1.3
Ability To Motivate People	1.3	1.2	1.6	1.3
<b>Overall Mean</b>	<b>1.4</b>	<b>1.2</b>	<b>1.6</b>	<b>1.3</b>

From the table above, work experience had an overall mean of 1.6, education system and training had a mean of 1.4, family background had a mean of 1.3 and family background had a mean of 1.2. This illustrates that work experience, education system and training,

family backgrounds and social institution are the most useful background from which the respondents had learnt the competence in that order of importance. This means that work experience is the most useful source of learning the entrepreneurial competence. This is because apart from willingness for hard work, problem solving, business motivation, social relation skills, taking on risk/uncertainty, negotiating skills, team work, creativity, technical knowledge, marketing, administration, planning skills, communication skills and ability to motivate people we all learnt from work experience.

### **4.3.3 Former Work Experience and Competences**

The survey also sought to establish the extent to which the former work experience helped the respondents gain competences essential for entrepreneurial success. The study used Likert-type scale in collecting and analyzing the data on a scale of 1 to 6 with 1 point being assigned to Not at all, indicating very low or no influence while 6 was assigned to very high extent, to indicate high level of influence of the former employment experience on the current competence. The data finding were presented in the Table 4.8. Since the scales ranged from 1 to 6 making an interval of 5 between the two extremes; the following allocation keys can be developed: not at all (never exhibit) was given the range 1 – 1.8, very low extent (very rarely exhibit) was given the range 1.81 – 2.6, low extent (rarely exhibit) was given the range 2.61 – 3.4, moderate extent (Exhibits) was given the range 3.41 – 4.2 while high extent (often exhibit) was assigned the range 4.21 – 5.2 and very high extent (always exhibits) was assigned 5.3 – 6.0

**Table 4.8: Former Work Experience and Competence**

	Not at All	Very Low Extent	Low Extent	Moderate Extent	High Extent	Very High Extent	Mean	STDV
Opportunity competences	3	0	1	4	14	9	4.7	1.49
Relationship competences	2	0	1	6	13	9	4.8	1.28
Analytical competences	0	0	3	7	9	12	5.0	1.02
Innovative competences	2	0	0	8	15	6	4.7	1.19
Operational competences	1	0	1	4	17	8	4.9	1.03
Human competences	1	1	1	9	12	7	4.6	1.17
Strategic competences	2		1	6	10	12	4.9	1.34
Commitment competences	4	1	1	4	8	13	4.6	1.73
Learning competences	3	0	1	5	12	10	4.7	1.47
Personal Strength competences	3	1	4	4	8	11	4.5	1.63

From the findings analytical competences was the one which majority of the respondents gained from the former work experience as shown by a mean of 5.0. Other competences gained were operational competences, strategic competences, relationship competences, opportunity competences, innovative competences, learning competences, human competences and commitment competences with mean scores of 4.9, 4.9, 4.7, 4.7, 4.7, 4.6, 4.6 and 4.5. Personal strength competences were the least competence gained by the respondents shown by a mean of 4.5. This illustrates that, analytical competences, operational competences, strategic competences and relationship competences among other factors are the most useful former work experience that influences competence.

#### **4.3.4 Self Employment and Corporate World**

The study intended to establish the opinion of the respondent on comparing self employment with corporate world the extent to which these factors motivate the

respondents to work harder. The study used likert type scale to collect and analyze data. The decision key used is as developed earlier. The data findings were recorded in the Table 4.9 below.

**Table 4.9: Self Employment and Corporate World**

<b>Factors</b>	<b>Not at All</b>	<b>Very Low Extent</b>	<b>Low Extent</b>	<b>Moderate Extent</b>	<b>High Extent</b>	<b>Very High Extent</b>	<b>Mean</b>	<b>STDV</b>
Hours of work are not established	5	1	1	5	5	14	4.5	1.86
Job descriptions do not specify required Skills and activities	7	0	8	5	5	6	3.6	1.78
There are no rules and procedures that each employee must follow	11	2	7	5	5	1	2.8	1.62
No clear hierarchy of employees	9	1	9	7	4	1	3.0	1.52
Organization culture/environment not established and employees learn to work effectively within that that environment	6	4	3	6	10	2	3.5	1.67
No paid vacation or sick leave	11	1	4	5	5	5	3.2	1.94
long hours and heavy workloads that comes with self employment	6	1	3	2	9	10	4.2	1.90

According to the findings, hours of work are not established was the factor that motivated majority of the respondents to work harder as shown by a mean of 4.5. Other factors included long hours and heavy workloads that comes with self employment, job descriptions do not specify required skills and activities, corporate/organization culture and environment are not established and employees learn to work effectively within that that environment, no paid vacation or sick leave and no clear hierarchy of employees as shown by mean scores of 4.2, 3.6, 3.5, 3.2 and 3.0. No rules and procedures that each employee must follow was the factor that least motivated the respondents to work harder.



It therefore shows that, hours of work are not being established, long hours, heavy workloads that comes with self employment, job descriptions not specifying required skills and activities, corporate/organization culture and environment among others are the most important factors that motivate the respondents to work harder in that order of reducing importance

#### 4.3.5 Access to the Resource

The study also sought to establish the extent the extent to which the sources of competence were important in getting access to resources needed to start up by the respondent. The data finding was reordered in table 4.10

**Table 4.10: Access to the Resources**

	Not Applicable	Not Important	Little Important	Important	Very Important	Mean	STDV
Work experience	3	0	0	10	18	3.3	1.19
Level of Education	1	1	5	13	11	3.0	0.98
Social networks	1	0	3	7	20	3.5	0.93

According to the findings, social networks were identified as the most important source shown by mean of 3.5. Work experience and level of education were the other sources identified shown by means of 3.3 and 3.0 respectively. It therefore illustrates that social network emerged as the most important source in getting access to resources.

#### 4.3.6 Experiences that entrepreneurs go through in running a business

The study sought to establish the experiences that entrepreneurs went through in running a business. The data findings were presented in the table 4.15

**Table 4.11: Experiences in Running a Business**

	No	Yes	Mean	STDV
Lack of prescribed work procedure/plan, had to formulate my own	6	25	1.8	0.40
Market/demand fluctuation	3	28	1.9	0.30
Lack of knowledge and start up knowhow from prior experience	18	13	1.4	0.50
I expected to be profitable in a short time because am an expert in what I do	11	20	1.6	0.49
Many business-related expenses and expenses that do not directly relate to the learning of the business	10	21	1.7	0.48
Difficulty in obtaining fund for expansion	7	24	1.8	0.43
Difficulty in execution of strategy	10	21	1.7	0.48
Fear of trying something new	21	10	1.3	.48
Allocating huge salaries unto yourself	25	6	1.2	.40
Difficulty of failure of formulating a business plan	18	13	1.4	.50

From the findings, market/demand fluctuation was the most cited experiences that entrepreneurs went through in running a business shown by a mean of 1.9. Other experiences cited included lack of prescribed work procedure/plan and thus respondents formulating their own, difficulty in obtaining fund for expansion, many business-related expenses, expenses that do not directly relate to the learning of the business, difficulty in execution of strategy, expectation by the respondent to be profitable in a short time because they are experts in what they do, lack of knowledge and start up knowhow from prior experience, difficulty of failure of formulating a business plan and fear of trying something new shown by a mean of 1.8, 1.8, 1.7, 1.7, 1.6, 1.4, 1.4 and 1.3 respectively. Allocating huge salaries onto oneself was the least cited experience that entrepreneurs went through in running a business. It therefore depict that, market/demand fluctuation, difficulty in obtaining fund for expansion, many business-related expenses, and expenses that do not directly relate to the learning of the business among other experiences were

shown by the study as the most important experiences that the respondents went through before starting a business.

#### 4.4 Challenges Encountered

##### 4.4.1 Main Problems Encountered In the Initial Period after Start Up

The study wanted to identify the main problems encountered by the respondent in the initial period after start up of the business. The results were recorded in the table 4.13.

**Table 4.12: Initial Period after Start-up Problems**

	No	Yes	Mean	STDEV
To get information about the market	15	16	1.5	0.51
To get clients			1.7	0.46
To get suitable suppliers	11	20	1.6	0.49
To hire managers	9	22	1.7	0.46
To hire skilled workers	6	25	1.8	0.40
To have suitable equipments	18	13	1.4	0.50
To manage/operate the venture			1.4	0.50
To finance and manage the cash flow	10	21	1.7	0.48
To manage operations of a factory	21	9	1.3	0.47
To manage with undefined structures	20	11	1.6	0.50
To adapt the product/services to the customer needs	12	19	1.6	0.50
To finance and manage the cash flow	10	21	1.7	0.48

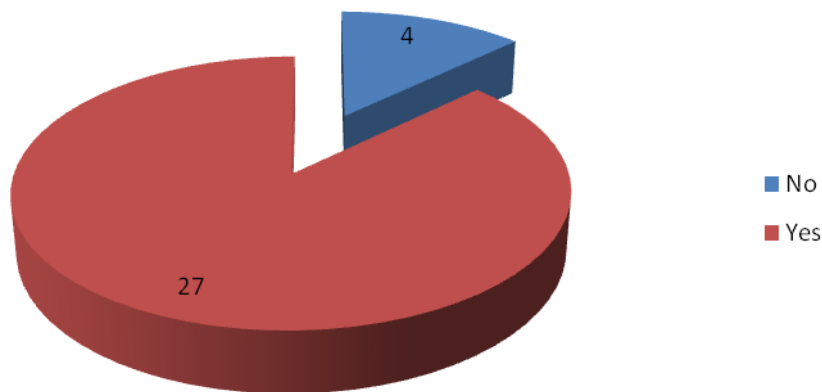
From the survey the findings revealed that hiring skilled workers was a problem most cited by majority of the surveyed respondents as shown by a mean 1.8. getting clients, hiring managers, financing and managing the cash flow, financing and managing the cash flow, getting suitable suppliers, managing undefined structures, adapting the product/services to the customers' needs, having suitable equipments, managing/operating the venture and managing operations of a factory were the other

problems encountered in the initial period after start up in that order of reducing importance.

#### 4.4.2 Financial Challenges in their New Ventures

The study required the respondents to state whether they faced financial challenges in their new ventures. The data findings were presented in the figure 4.5

Figure 4.5: Financial Challenges



According to the findings, majority of the respondents (87.1%) indicated that they got financial challenges in their new ventures. It indicates that during the start-up of a new business, there are financial challenges involved.

#### 4.4.3 Challenges experienced by the respondent as an ex-corporate executive

The researcher also sought to establish the challenges met by the respondents as an ex-corporate executive in the new businesses. The study used Likert-type scale in collecting and analyzing the data on a scale of 1 to 5 with 1 point being assigned to No extent, indicating very low level of challenge while 5 was assigned to very large extent, to indicate high level of challenge. The data finding were presented in the Table 4.18. Since

the scales ranged from 1 to 5 making an interval of 4 between the two extremes; the following decision keys can be developed: no extent (never exhibit) was given the range 1 – 1.8, small extent (very rarely exhibit) was given the range 1.81–2.6, moderate extent (rarely exhibit) was given the range 2.61–3.4, large extent (Exhibits) was given the range 3.41–4.2 while very large extent (always exhibit) was assigned the range 4.21– 5.

**Table 4.13: Challenges to the Respondent as An Ex-Corporate Executive**

	No Extent	Small Extent	Moderate Extent	Large Extent	Very Large Extent	Mean	STDV
Things not working the same as they used to work	2	10	10	5	4	3.0	1.14
Having employees who lack competence, commitment and like-mindedness as myself	2	2	4	9	14	4.0	1.21
Employees not being able to implement strategy	1	5	12	11	2	3.3	.93
Lack of motivation owing to lower salary	10	6	9	6	0	2.4	1.14
Low span of control in my new business than what i used to have	11	10	3	6	1	2.2	1.23
Having to start again	5	10	2	6	8	3.1	1.50
Having to make decision without adequate information/ analysis	7	7	4	8	5	2.9	1.45
Difficulty in predicting demand fluctuation	4	7	8	7	5	3.1	1.29
Inability to read opportunity as they come	9	6	11	4	1	2.4	1.15
Fear of failure	7	4	8	6	6	3.0	1.44
Comfort of financial security borne from monthly wage	2	6	10	5	8	3.4	1.25
SMEs being to small scale for me as compared to my former job (am not comfortable in SMEs)	16	6	1	6	2	2.1	1.40

According to the findings having employees who lack competence, commitment and like-mindedness as the respondent was the challenge met by majority of the respondents as ex-corporate executive in new businesses shown by a mean score of 4.0 and a standard deviation of 1.21. Comfort of financial security borne from monthly wage, employees not being able to implement strategy, having to start again, difficulty in predicting demand fluctuation, fear of failure, things not working the same as they used to work, having to make decision without adequate information/ analysis, inability to read opportunity as they come, lack of motivation owing to lower salary, low span of control in the respondents' new business than what they used to have and SMEs being too small scale for the respondents as compared to their former job were the other challenges the meet by respondents as ex-corporate executive in new businesses whose mean scores were 3.4, 3.3, 3.1, 3.1, 3.0,3.0, 2.9, 2.4, 2.4, 2.2 and 2.1 respectively. This indicates that, having employees who lack competence, commitment and like-mindedness as the respondent, comfort of financial security borne from monthly wage, employees not being able to implement strategy, having to start again, difficulty in predicting demand fluctuation, fear of failure, things not working the same as they used to work, and having to make decision without adequate information/ analysis, among other factors are the most important challenges met by ex-corporate executive in their new businesses.

#### **4.5 Discussions of Findings**

The motive for entrepreneurship lies in the urge to identify sources of existing and emerging customer dissatisfaction and developing solutions to eliminate them (Ramachandran, 2003).in this study, majority of the entrepreneurs interviewed started their businesses so as to seize existing opportunities perceived after years of working in a

similar environment, e.g. starting a PR agency after years of working as a communication director or a book publishing firm arising from have built one for a multinational company.

In agreement with Ennico (2009) in his comparative analysis of corporate executives and entrepreneurs which averred that if an executive wants to succeed as an entrepreneur, he/she has to grow a new skin; or, more precisely, a new way of looking at the world; the study found that almost all respondents felt that though experience, education were paramount – entrepreneurship called for a different way of looking at issues/behavior. One needed to be more accessible and be ‘street smart’ so as to survive and grow in business.

The study confirmed that ‘Openness to Experience’ is the most important personality dimension that is common to entrepreneurs as the respondents indicated that, though experience and education are important, they are not the ultimate in business, new skills of survival (building new relationship that goes beyond strict work parameters) must be learnt and the entrepreneurs must be ready to ‘soil their hands’ if they are going to be successful in business. This confirms Judge and Cables’ (1997) five major dispositional dimensions of entrepreneurs which included *openness to experience* as one of the key entrepreneurial disposition. Other dimensions included *extraversion*, *agreeableness*, *conscientiousness* and *neuroticism*.

The study’s findings identified uncertainty in the entrepreneurial world. Entrepreneurs had to come out of their comfort zone, characteristic of corporate executive jobs where they had to learn ‘on the job’ and “don’t dwell on the past”. Other respondents sentiments

were that employment is defined, measured and has limited possibilities while entrepreneurship is unlimited and has unlimited possibilities with phenomenal growth. Ennico (2009) found that successful entrepreneurs are flexible while corporate executives often become overly dependent on a single model of doing business and adapt to changing circumstances slowly and carefully, if at all.

Kantis, Ishida and Komori (2002) posit that work experience plays a very important role as an “incubator” for entrepreneurial motivation and skills, as well as contact networks. From the findings social networks, work experience and level of education were rated as the most critical factors in getting access to resources needed to start up and run their respective venture in that order of importance. Accordingly, Kantis, Ishida and Komori (2002) confirmed that educational system plays a very limited role in the acquisition of entrepreneurial motivation and skills. Kantis, Ishida and Komori further stated that networks, formed through work endeavors, are critical for new entrepreneurs to identify business opportunities, to gain access to financial resources, supplies, and know-how, and to face the challenges and problems involved in management during the company’s early years.

The study further found that though, the respondents work experiences in their managerial or corporate executive positions were instrumental in imparting skills like marketing, negotiation, social relation, administrative, planning communication, ability to motivate people to mention e.t.c., skills such as willingness to work hard were learnt from other social institutions like family background. Kirzner (1973) in light of the same, stated that the characteristics (skills, traits, knowledge, propensities, etc.) successful entrepreneurs bring to an activity are not the same as the characteristics brought by



competent managers. He further states that there is little overlap between the skills needed to be a good entrepreneur and the skills needed to be a good manager. However, he states that the fact that the entrepreneurial and managerial tasks are highly specialized means that a proper allocation of these two talents is crucial to firm survival and firm's long-run survival, as well as its market value, depends, in part, on the use of managerial information and not entrepreneurial information. This also came out from the findings when the respondents stated that work (managerial) experience was the most useful in getting the resources to start up and run their respective businesses. This is also confirmed by Hodgetts and Kuratko (2001) who stated that the ability to remain entrepreneurial while adopting administrative (managerial) traits is vital to the venture's successful growth.

# **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter present the summary of findings as they are presented in chapter four. Conclusion and recommendations have also been discussed in relation to the objective of the study which was the role of managerial experience in entrepreneurial success.

## **5.2 Summary of Findings**

This study has shown a discrepancy in gender distribution within the corporate executives in private sector in Kenya and has also indicated that majority of the former corporate executives who are now in the private sector are over 45 years of age. This shows that they have had enough managerial experience in entrepreneur skills.

The study further establishes that majority of the former corporate executives had at least a diploma. This attributes to the competence of the respondents in handling their business in the private sectors. The study also shows that, among the respondents most of them held senior positions in their former employment indicating that there is reliability of the information owing to the position held by the respondents in their organizations of former employment.

The study illustrates that majority of the respondents had worked as executives for a period of more than 6 years. This illustrates the competence of the respondent in the entrepreneurial skills owing to the load of experience in the corporate as executive. It has also pointed out that majority of the respondent run other private business.

In this study the highest percentage of the respondents' business were in service provision industry. The study has further illustrated that, viability of a business idea, need for independence, need for financial well-being and retrenchment/retirement were the motivation of starting new business, listed in order of reducing importance.

The study found that majority of the respondents (93.5%) had more satisfaction being entrepreneurs than employees. This means that the respondent appreciated the spirit of freedom in terms of decision making hence the satisfaction. It also illustrated that work experience, education system and training, family backgrounds and social institution are the most useful background from which the respondents had learnt the competence in that order of importance. This indicated work experience is the most useful source of learning the entrepreneurial competence as the entrepreneurs learnt problem solving skills, business motivation, social relation skills, taking on risk/uncertainty, negotiating skills, team work, creativity, technical knowledge, marketing, administration, planning skills, communication skills and ability to motivate people. However, the study found that while willingness to work hard was not learnt by way of work experience, majority learnt the same from their family backgrounds.

Analytical competences, operational competences, strategic competences and relationship competences among other factors are the most useful former work experience that influences competence. It has also been shown that, hours of work are not being established, long hours, heavy workloads that comes with self employment, job descriptions not specifying required skills and activities, corporate/organization culture and environment among others are the most important factors that motivate the respondents to work harder in that order of reducing importance.

In this study social network emerged as the most important source in getting access to resources. Market/demand fluctuation, difficulty in obtaining fund for expansion, many business-related expenses, and expenses that do not directly relate to the learning of the business among other experiences were shown by the study as the most important experiences that the respondents went through before starting a business.

During the start-up of a new business, there are financial challenges involved. Hiring skilled workers, getting clients, hiring managers, financing and managing the cash flow, getting suitable suppliers, managing undefined structures, adapting the product/services to the customers' needs, are other problems encountered in the initial period after start up in that order of reducing importance.

The study also indicated that, having employees who lack competence, commitment and like-mindedness as the respondent, comfort of financial security borne from monthly wage, employees not being able to implement strategy, having to start again, difficulty in predicting demand fluctuation, fear of failure, things not working the same as they used to work, and having to make decision without adequate information/ analysis, among other factors are the most important challenges met by ex-corporate executive in their new businesses.

### **5.3 Conclusion**

The study sought to establish the role of managerial experience in entrepreneurship success. To this objective the study found out that analytical competence, operational competences, strategic competences and relationship competences were the most useful former work experiences that influence competence in entrepreneurial practice. Other

competencies were learning competences, personal strength competences, relationship competences and opportunity competences. Given the dynamic and unpredictable business environment that the ex-corporate managers have to undergo, these competences came out to be most integral in the learning process and confirms work experience indeed matters for one to be successful in entrepreneurship.

The study also aimed at establishing the factors that influence the relationship between managerial experiences and success. In line with this, the study found work (managerial) experience to be the most useful background from which the entrepreneurs got skills such as social networks that came in handy during their business venture start-up and growth. Other factors learnt as managerial experiences which relate with entrepreneurial skills were problem solving skills, social relation skills, risk taking, negotiating skills, team work, creativity, technical knowledge, marketing, administration, planning skills and communication skills. While these skills were mostly administrative, as entrepreneurs they needed the same for business run-up.

The study further concludes that whereas all acknowledged that their work experience assisted them in their new ventures, all felt that entrepreneurship involved more than education, knowledge and experience. They felt that to be a successful entrepreneur, one needed to learn new skills ‘a street smartness’, vital to their survival. These skills included flexibility, openness to experiences and a new way of looking at things. The study also concludes that although corporate executives have many “layers of people” between them and the clients, entrepreneurs have to maintain direct contact with their clients. Entrepreneurship strips you of any shields and a persons’ integrity and ‘humanness’ is put to the test.

To sum it all, entrepreneurship is more than the sum of its parts i.e. work experience, education and knowledge.

#### **5.4 Recommendations**

Entrepreneurship reduces the gap between theory and practical application. Hence, the study recommends that entrepreneurship skills should be taught in schools. This would nurture future entrepreneurs as both theory and practice (through apprenticeship or internship) would bridge the ‘disconnect’ between knowledge and experience. Education would equally make entrepreneurship be respected (as in other nations e.g. India) as a creator of employment and a key contributor in poverty eradication.

The study further recommends that the educational system should encourage continuous learning where learning is a base of self improvement and not just for passing exams. Theories must be localized and operationalized to be applicable in our African environment. The researcher also recommends that to be a successful entrepreneur, one should learn new skills, ‘street smartness’, which is vital for survival.

#### **5.5 Suggestions for Further Research**

Since the study specialized with corporate executives in the private sector, the study suggests that further studies be done on other levels of management. This is because it was noted that middle to lower level managers may not be defined by their corporate positions as was the case with former CEO’s and departmental heads some of whom could not reconcile themselves with the perceived ‘smallness’ of their new environment. Further, the study suggests that the population should be expanded to include executives managers in public sector and the civil service on the role of

managerial experience in entrepreneurial success. This is because different levels of management have unique characteristics and diverse contextual realities that might affect managerial experiences and consequently dictate entrepreneurial success. This would bring out a comprehensive empirical results/findings on the role of managerial experience in entrepreneurial success in Kenya.

Additionally, the researcher recommends that a similar study be done by using interviews in order to capture qualitative experiences that may come out during an interview. This would overcome the challenge of partial responses of the questionnaire as was the case with the drop and pick method.

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## APPENDICES

### APPENDIX I: INTRODUCTION LETTER

**Fatma A. Elmaawy**

**Student Registration Number D61/70080/2008**

**University of Nairobi - School of Business**

**P.O.Box 30197,**

**NAIROBI.**

Dear Respondent,

My name is Fatma and I am a student at the University of Nairobi, school of business. As part of the fulfillment of the requirement of the MBA degree, I am undertaking management research project entitled;

“The Role of Managerial Experience in Entrepreneurial Success:

A case study of former corporate executives in private sector in Kenya”

You have been selected by the study as you meet the study’s purposive criteria; that is, your experiences as a former corporate executive and your current status as an entrepreneur. Therefore, your responses are crucial to the study in ensuring that the aforementioned research aim is met.

This information is for academic purposes only. Respondents’ identities’ will remain strictly confidential; and the findings of this study shall, upon request be availed to you.

Your cooperation is highly appreciated.

Thank you in anticipation

Yours faithfully

Mr. J. Maalu

Fatma A. Elmaawy, MBA Student

University Supervisor

## APPENDIX II : QUESTIONNAIRE

**Instructions:** Please read the questions and answer them either by filling in the blank spaces or ticking the check boxes [ / ] or tables

### PART A: DEMOGRAPHIC INFORMATION

1. Your name (optional) .....

2. Name of the company or firm? .....

3. Please indicate your gender

Male [ ]

Female [ ]

4. Please indicate the category under which your age falls in

Below 30 Years [ ]

30-34 years [ ]

35-39 years [ ]

40-44 years [ ]

Over 45 years [ ]

5. Level of education

Secondary Certificate and below [ ]

Tertiary Certificate [ ]

Diploma [ ]

Undergraduate [ ]

Postgraduate [ ]

Any other (Kindly specify).....

6. What was your position in employment?

C.E.O [ ]

G.M [ ]

Snr. Manager [ ]

Manager [ ]

7. For how many years have you worked as an executive?





**SECTION B: EXPERIENCES IN ENTREPRENEURSHIP**

12. Regarding each of the following entrepreneurial competencies, please tick for the most useful background (social institution; education, work and family) from which you learnt the competence (Please do not tick if none of the institutions were useful)

	<b>Educational System and Training</b>	<b>Social Institution</b>	<b>Work Experience</b>	<b>Family Background</b>
Problem solving				
Business motivation				
Social relation skills				
Taking on risk/uncertainty				
Negotiating skills				
Teamwork				
Creativity				
Technical knowledge				
Marketing				
Administration				
Willingness for hard work				
Planning skills				
Communication skills				
Ability to motivate people				

13. Does your current status as an entrepreneur bring you more satisfaction than being an employee?

Yes [ ] No [ ]

Why.....

14. To what extent did your former work experience help you gain the following competencies essential for entrepreneurial success?

	<b>Not at all</b>	<b>Very Low Extent</b>	<b>Low Extent</b>	<b>Moderate Extent</b>	<b>High Extent</b>	<b>Very High Extent</b>
Opportunity competencies						
Relationship competencies						
Analytical competencies						
Innovative competencies						
Operational competencies						
Human competencies						
Strategic competencies						
Commitment competencies						
Learning competencies						
Personal strength competencies						

15. Comparing self employment with corporate world, to what extent does the following factors motivate you to work harder?

	<b>Not at All</b>	<b>Very Low Extent</b>	<b>Low Extent</b>	<b>Moderate Extent</b>	<b>High Extent</b>	<b>Very High Extent</b>
Hours of work are not established,						
Job descriptions do not specify required skills and activities						
There are no rules and procedures that each employee must follow						
No clear hierarchy of employees						
Corporate/Organization culture and environment are not established and employees learn to work effectively within that environment						
No paid vacation time or sick leave						
Long hours and heavy workload that comes with self-employment						

16. To what extent were the following sources important in getting access to the resources you needed to start up? (0: Not Applicable, 1: not important, 2: a little important, 3: important, 4: very important,)

	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Work experience					
Level of Education					
Social Networks					

17. Below are some of the experiences that entrepreneurs go through in running a business, kindly enumerate those that you did experience?

	<b>Yes</b>	<b>No</b>
Lack of a prescribed work procedure/plan, had to formulate my own		
Market/demand fluctuation		
Lack of knowledge and startup know-how from prior experience		
I expected to be profitable in a short time because I am an expert at what I do		
Many business-related expenses with expenses that do not directly relate to the running of the business		
Difficulty in obtaining fund for expansion		
Difficulty in execution of strategy		
Fear of trying something new		
Allocating huge salary onto yourself		
Difficulty of failure of formulating a business plan		

18. What other experiences do you undergo as an entrepreneur?

.....

19. How important are the following in entrepreneurship

	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Focus					
Discipline					
Attitude					
Risk Taking					
Proactiveness					

20. Kindly enumerate where the above behaviors were learnt

	<b>Education 1</b>	<b>Work 2</b>	<b>Family 3</b>
Focus			
Discipline			
Attitude			
Risk Taking			
Proactiveness			

**SECTION C: CHALLENGES ENCOUNTERED**

21. Do you get financial challenges in your new venture?

Yes                    [   ]                    No                    [   ]

22. What were the main problems you encountered in the initial period after the start-up?

(kindly tick the applicable ones)

	<b>Yes</b>	<b>No</b>
a) To get information about the market		
b) To get clients		
c) To get suitable suppliers		
d) To hire managers		
e) To hire skilled workers		
f) To have suitable equipment		
g) To manage/operate the venture		
h) To finance and manage the cash flow		
i) To manage operations of a factory		
j) To manage with undefined structures		
k) To adapt the product/services to the customer need		
l) To manage the relationship with large clients		

23. What challenges do you meet as an ex-corporate executive in new business that makes it difficult to have a successful enterprise? 1 = No extent, 2 = small extent, 3 = moderate extent, 4 = Large extent, 5 = Very large extent.

	1	2	3	4	5
Things not working the same as they used to work					
Having employees who lack competence, commitment and like-mindedness as myself					
Employees not being able to implement strategy					
Lack of motivation owing to a lower salary					
Low span of control in my new business than what I used to have					
Having to start again (from nothing)					
Having to make decisions without adequate information / Analysis					
Difficulty in predicting demand fluctuations					
Inability to read opportunities as they come					
Fear of failure					
Comfort of financial security borne from monthly wage					
SMEs being too small scale for me as compared to my former job (am not comfortable in SMEs)					

24. Do you have any comment on the challenges that ex-corporate executive experience in entrepreneurship?

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**Thank You for Participating in the Study; Your In-put is Valuable**