# Omega Graduate School

# Dissertation Research Prospectus

YOUTH ENTREPRENEURIAL READINESS: ENTREPRENEURIAL SELF-EFFICACY AND THE MODERATING ROLE OF ENTREPRENEURIAL TRAINING

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# Problem Statement

Despite the growing interest in entrepreneurship as a means of economic development and poverty reduction, the problem is youth in Ethiopia lack entrepreneurship training and entrepreneurial readiness (GEM, 2022; Chernova et al., 2020).

# Purpose Statement

The purpose of this study is to examine youth entrepreneurial readiness based on entrepreneurial self-efficacy of those who have taken EDI entrepreneurship training and those who have not .

# Background of the Problem

Entrepreneurial initiatives, including training, are believed to curb unemployment problems by grooming the youth for entrepreneurial endeavors (Olayinka & Sulyman, 2022). Boris and Parakhina (2022) stated that youth entrepreneurship is a neglected yet important sector of the economy, substantiated by the unstable post-COVID pandemic economic conditions. Ahmed and Ahmed (2021) pointed out the challenges of the young generation to find a decent job in African countries, including Ethiopia, due to a lack of skill, experience, and attitude toward the youth in the workplace.

The alarming unemployment rate in Ethiopia is worth noting to strategize entrepreneurial interventions. According to the Ethiopian Statistics Service and International Organization for Migration (2021), the published statistical report of the employment-to-population ratio was 59.5 percent, with 69.0 percent males and 50.2 percent females, whereas the employment-to-population ratio of youth 15-29 was 57.4 percent nationally. The rate of youth employment to population ratio in rural areas was 64.9 percent and 50.6 percent in urban areas.

Adeniyi, Derera, and Gamede (2022) related entrepreneurial readiness to entrepreneurial skills, business opportunities, entrepreneurial self-efficacy, and opportunity identification.  Since studies show that youth entrepreneurship contributes to economic development, it is essential to know how one acquires the entrepreneurial mindset and uses the potential to create jobs, expand existing businesses, increase the possibility of business startups, and maximize opportunities to curb developing countries unemployment issues by using the youth potentials (GEM, 2022).

A study on the relationship between micro-enterprises targeting youth and socio-economic development showed that youth significantly reduce poverty in Ethiopia (Kidane et al., 2015). In addition, entrepreneurship was acknowledged as one of the stimulating factors for economic growth in developing countries (Muhammad & Ahmad, 2020). However, according to Ahmed and Ahmed's (2021) study on Ethiopia's potential constraints on youth entrepreneurship, next to a conducive policy environment, limited access to finance, markets, and business assistance and support, entrepreneurial education, and training were stated as one of the constraining factors not to engage in an entrepreneurial endeavor. Acknowledging the positive role of the youth in economic development (Chernova et al., 2020), it is essential to prepare the youth for such engagement. This study takes entrepreneurial readiness, as defined by (Coduras et al., 2016), as an ability or willingness to take entrepreneurial action.

The Entrepreneurship Development Center (EDC), which is now transformed into Entrepreneurship Development Institute (EDI), was established to realize the vision of Ethiopia's Growth and Transformation Plan (GTP) in response to the growing role the private sector can play in achieving the plan. The Ethiopian government established the program in partnership with the United Nations Development Program (UNDP) Ethiopia and launched it in February 2013. The program was designed to foster a robust and competitive private sector by developing the micro and small enterprise sectors. Based on that, entrepreneurship training is provided by the United Nations Development Program for one week for those who want to start a business and strengthen their existing one (Ministry of Trade and Industry & United Nations Industrial Development Organization, 2019).

Describing the impact, as of May 2022, the EDC report shows 244,459 new jobs are created, 20,819 new businesses are established, 29,378 businesses are expanded, 20,757 businesses are formalized, and 70,391 existing businesses are supported. In addition, 112,163 training have been provided in 10 regional states, which is instrumental in creating the needed impact (EDI, 2022).

# Significance

The research outcome will suggest developing more awareness of the youth, including the church, to engage in entrepreneurial training as a potential career choice to help them be active in income generation and economic development. The research has a potential contribution to developing the entrepreneurial culture in the youth community of Addis Ababa through analysis of the entrepreneurial characteristics of the EDI's entrepreneurship training program participants. If training moderates new venture creation/business development, training activities will be scaled up to meet the needs of the millions of the Country.

In addition, current research contributes to the entrepreneurship literature on the effect of individual-level entrepreneurial self-efficacy in selecting potential trainees. At the national level, policymakers will be encouraged to introduce policies that provide a secure environment for individuals to start their ventures after investing in suitable candidates for training.  In addition, the selection of training participants can be made using the most straightforward tool of ESE. The recruitment of training participants will be targeted for practical human resources and financial investment decisions.

# Research Question

RQ1: What differences exist in youth entrepreneurial readiness based on entrepreneurial self-efficacy related to entrepreneurship training?

# Research Methodology

This study will utilize a quantitative methodology because hypotheses derived from research questions will be tested using statistical analysis. The Mann-Whitney U test will be used to investigate if there is a statistically significant difference between those trained in entrepreneurship and those who were not.

# Theoretical/Conceptual Framework

Using the social learning theory that encompasses the individual and social factors, entrepreneurship readiness is assumed to be described by incorporating the individual’s ESE, as moderated by entrepreneurial training (Hatos, Cioban, Bea, Dodescu, & Hatos 2022). The framework below shows how independent variables self-efficacy and ESE influence the dependent variable, youth entrepreneurial readiness, as moderated by EDI training.

**Youth Entrepreneurial Readiness**

**Entrepreneurial Self-Efficacy**

* **Searching**
* **Planning**
* **Marshaling**
* **Implementing**
* **Finance**

**Entrepreneurship Training**

Figure 1: Conceptual Model of Hypothesized Relationships

**Entrepreneurial Self-Efficacy**

Based on the conceptual framework of Albert Bandura, the social learning theory entrepreneurial tendency of college students’ ESE tool was first suggested by (Chen et al., 1998). Different constructs, such as risk-taking, innovation, management, financial control, and marketing, were assessed. This was complimented by McGee et al. (2009), supporting ESE as a multi-dimensional construct and suggesting the four tasks: searching, planning, marshaling, and implementing as valuable skills for entrepreneurial readiness resulting in business creation orientation.

According to Moberg (2012), the entrepreneurial efficacy measure components start with the searching phase, which includes brainstorming a new idea for a product or service, identifying the need for a new product or service or a market, and designing a product or service that will satisfy customer needs and wants. The planning phase incorporates an assessment of demands, prices, and capital needed, designing a marketing strategy, and translating this into a business plan.

The marshaling phase focuses on determining the different resources needed to execute the plan. The last implementation phase involves using resources to execute the action plan (Adenyi et al., 2022).  Borhani, Amiran, Shahriari, and Ghadim (2020) emphasized that education, opportunities, and financial support significantly impact young adults' career choices for startup businesses. Previous studies by Wadhawa, Holly, Aggarwal, and Salkever (2009) depicted that a lack of business and managerial skills would be a barrier to effective startups implying that the need to have business management knowledge and skills positively contributes to entrepreneurial readiness. Based on the social learning theory and the literature reviewed to construct ESE, Moberg (2012) revised the ESE variables by categorizing them into five domains: searching, planning, marshaling, implementing, and finance.

**Entrepreneurship Training**

Entrepreneurial training is intended to reinforce information, skills, and attitudes and has been utilized in different countries to influence entrepreneurial culture within a population (Wulandari et al., 2021). They defined *entrepreneurship training* as "training to prepare someone to have entrepreneurial skills so that they can create a business appropriately by using existing opportunities and providing job opportunities both for themselves and others" p. 307. The current research uses training as a moderating factor to assess youth entrepreneurial readiness.

Ndofirepi (2020) described it as essential to understanding entrepreneurs' psych, ways of thinking and designing effective training programs. The psychological traits associated with entrepreneurs are an internal locus of control, achievement needs, and risk-taking behaviors. This is also supported by previous studies by Bygrave and Hofer (1991), which have expanded the list of main psychological aspects associated with entrepreneurship: "need for achievement, locus of control, risk-propensity, self-efficacy, tolerance for ambiguity, innovativeness, independence and autonomy, and optimism."  Alamineh's (2022) study concluded that the field of study, entrepreneurship course, entrepreneurship test score, locus of control, entrepreneurship education, subjective norms, and entrepreneurial motivation statistically affected university students' intention toward entrepreneurship.

# Instrumentation

Over a decade, initially, 29 items were derived from the three ESE scales developed by Chen et al. (1998), DeNoble et al. (1999), and McGee et al. (2009) with Cronbach alpha for all was >0.72, and the total entrepreneurial self-efficacy (one dimension) = 0.89.

However, Moberg (2012) further revised the tool with five constructs and 20 items with a 7-point Likert scale, ranging from Do not agree (=1) to Agree (=7) were selected with the reliability of the creativity (Cronbach’s ἀ .85), planning (Cronbach’s ἀ .71), marshaling (Cronbach’s ἀ .67), managing ambiguity (Cronbach’s ἀ .77), and financial literacy (Cronbach’s ἀ .85. In addition, convergent validity of all items had significant loading above .50 on their constructs, and discriminant validity correlated above .8. Moberg also reported that the new ESE scale demonstrated good discriminant and nomological validity.

Twenty items measuring five constructs from the revised ESE scale with neutral wording will be used to assess the entrepreneurial self-efficacy of the trained EDI trainee (see Appendix X). Approval was obtained by email from the author, Kåre Moberg, kaare@ffefonden.dk, by e-mail, Department of Strategic Management and Globalization Copenhagen Business School, and The Danish Foundation for Entrepreneurship – Young Enterprise (see Appendix X).

# Research Design

This quantitative study will utilize a non-experimental design because it will examine the ESE scores between EDI-trained individuals, ages 18 - 35, from January - March 2023 in Addis Ababa and those on the waiting list who have not yet taken the EDI training to investigate if entrepreneurship training has a statistically significant effect among the trained youth to start or develop their business.

# Population and Sampling

The target population for this study is 127 individuals who took EDI training from January to March 2023 in Addis Ababa. Out of these 75 were aged 18-35.

Conducive sampling will be utilized to ensure eligible participants meet the inclusion criteria to select between ages 18 and 35 until a sample size of 63 is attained (Krejcie & Morgan, 1970). Permission to recruit participants will be secured from OGS IRB and EDI. Finally, participants will be asked to sign an informed consent form for their willingness to participate in the training.

# Hypotheses

H0: No statistically significant difference exists in entrepreneurial readiness towards business startup/development based on entrepreneurial self-efficacy (dependent variable) between those who received entrepreneurship training and those who did not (independent variable).

Ha: A statistically significant difference exists in entrepreneurial readiness towards business startup/development based on entrepreneurial self-efficacy between those who received entrepreneurship training and those who did not.

# Data Analysis Plan

This study will utilize the Mann-Whitney U test to test the hypotheses for statistically significant differences. Mann-Whitney U test is valid for a sample from a non-normal population that compares the means of the two groups (Andrews et al., 2012).

The hypothesis will be analyzed using the samples to determine whether there will be a statistically significant difference in ESE scores between those who had taken the EDI training and those who had not. The result will be analyzed using the Mann-Whitney U test to determine if there is a significant difference between the groups.