

**INFLUENCE OF FOREIGN DIRECT
INVESTMENT ON ENTREPRENEURSHIP
GROWTH AMONG THE KENYAN EMPLOYEES**

LUCY MWENDWA KINYUA

DOCTOR OF PHILOSOPHY

(Entrepreneurship)

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**Influence of Foreign Direct Investment on Entrepreneurship Growth
Among The Kenyan Employees**

Lucy Mwendwa Kinyua

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

Signature

Date

Lucy Mwendwa Kinyua

This thesis has been submitted for examination with our approval as university supervisors.

Signature

Date

Prof. Elegwa Mukulu

JKUAT, Kenya

Signature

Date

Dr. Gichuhi A. Waititu

JKUAT, Kenya

DEDICATION

I wish to dedicate this thesis to my husband Stephen Kinyua and my children Mabel, Joel, Paul and Edwin.

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ABBREVIATIONS AND ACRONYMS

| | |
|---------------|---|
| EIQ | Entrepreneurial Intention Questionnaire |
| ERS | Economic Recovery Strategy |
| FDI | Foreign Direct Investment |
| GDP | Gross Domestic Product |
| GOK | Government of Kenya |
| KAM | Kenya Association of Manufacturers |
| KIPRA | Kenya Institute for Public Policy Research and Analysis |
| LDC | Least Developed Countries |
| MNC | Multinational Corporation |
| MNE | Multinational Enterprises |
| MSE | Micro and Small Enterprises |
| OECD | Organization for Economic Co-operation & Development |
| SSE | Small Scale Enterprises |
| TNC | Transnational Corporation |
| UNCTAD | United Nations Conference on Trade and Development |
| UNIDO | United Nations Industrial Development Organization |

ABSTRACT

Foreign Direct Investment (FDI) is seen as a key driver of economic growth and development. This is because of the multiple benefits it has in developing countries. Some of the benefits include technology transfer, increases competition in the host country industries and aids local firms to become more productive. Kenya has its share of FDI from various parts of the world, with China on the lead with a continued growth from early year 2000. According to data published by the Ministry of Commerce, outbound FDI by Chinese enterprises amounted to \$43.3 billion in 2009. This study sought to identify the role that foreign direct investors play in enhancing entrepreneurship growth in Kenya by creating entrepreneurial intention among the Kenyan employees. The study adopted a descriptive and correlational research design and generated both qualitative and quantitative data. It targeted the FDIs located within Nairobi only. A sample of 235 employees was selected using a multistage sampling technique. Data was collected by use of a questionnaire and analyzed by use of the SPSS while the ANOVA was used to analyze the degree of relationship among the variables. The findings revealed that role modelling, skills and experience, technology transfer, enterprise linkages and capital, combined, had a significant relationship with entrepreneurial intentions, leading to entrepreneurship growth. The study therefore concluded that FDIs avail the necessary exogenous factors that enhance entrepreneurial intentions among their Kenyan employees. The study recommends that FDIs should expose their Kenyan employees more to facilitate entrepreneurial intentions.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

This study was based on the role that Foreign Direct Investments (FDI) play in facilitating entrepreneurship growth in Kenya. It involved exploring the exogenous factors availed by the FDIs and their impact on the Kenyan employees' entrepreneurial intention. Entrepreneurial intention was used because it is the best predictor of actual behaviour, thus specifying the extent to which individuals are interested in starting-up a business.

1.1.1 Importance of the Micro and Small Enterprises sector

It has increasingly been acknowledged around the world that entrepreneurs are a key contributor to new job creation and economic growth. Entrepreneurship is important because it leads to increased economic efficiencies, brings innovation to market, creates new jobs, and sustains employment levels (Shane & Venkataraman, 2000). Entrepreneurship is considered one of the most important factors contributing to economic development and has numerous benefits for the society. It drives innovation, creates jobs, develops human potential, and satisfies new customer demands (European Commission, 2003). It is also commonly agreed that entrepreneurship is a driving force behind micro and small enterprises (MSEs).

The MSE sector contributes about 18 per cent of GDP in Kenya (CBS, ICEG, K-REP, 1999). Further, the sector accounts for 87 per cent of all the new jobs created and it employs 77 percent of the total number of employees in the country. In

addition, the sector accounted for 85 per cent of the total number of employees in the manufacturing sector and 47 per cent of the manufacturing firms in 2005 (KIPPRA, 2009). Overall, the MSEs employ 5.4 million people and create 89 per cent of all new jobs. Estimates based on the 1999 Baseline Survey of MSEs show that in the year 2002 alone, the MSE sector employed about 5,086,400 people up from 4,624,400 in 2001. This was an increase of 10% and consisted of 74.2 per cent of total national employment (Economic Survey, 2003). Indeed, the MSE sector provides employment for substantially more people than does the formal sector.

The findings of the 1993 MSE Baseline Survey underscored the important role that MSEs play in Kenya's development process (Mutai, 2011). Available evidence suggests that entrepreneurship can contribute significantly to achieving key policy objectives. It plays an important role in the economic growth and development of nations.

1.1.2 Entrepreneurship

Entrepreneurship can be defined as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. The Green Paper on Entrepreneurship in Europe by the European Commission (2003) defines entrepreneurship as the mind set and process to create and develop economic activities by building risk-taking, creativity and/or innovation with sound management, within a new or an existing organization. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and

take calculated risks to open markets for new products, processes and services (UNDP, 2003).

Entrepreneurship and economic development are intimately related. The entrepreneurial process is a major factor in economic development and the entrepreneur is the key to economic growth. Entrepreneurs are the driving force behind MSEs, which play an important structural and dynamic role in all economies (Shrimohan, 2005). Good entrepreneurs can create a healthy economy of a country.

Entrepreneurship growth is a very important catalyst in context of the rapid growth of small and medium industries in a country (Nanda, 2008). If new ventures are to be considered as engines of growth in an economy, it is therefore incumbent on policy makers to understand the key factors that encourage or impede the creation of start-ups. However, there is some concern that policies may not be sufficiently efficient in achieving this objective. This is due to the complexity associated with business start-ups. From a psychological point of view, the intention to become an entrepreneur has been described as the single best predictor of actual behaviour (Linan, Juan & Jose, 2005).

The theoretical work of Bird (1988) suggests that an entrepreneur's intentions to start a business and the decisions that occur before start-up shape the subsequent goals, strategies, and structures of the new venture. These difficult-to-reverse initial decisions and alignments will in turn have an influence on the survival, growth, and profitability of a new firm (Harrasi, Zadjali & Salti, 2014).

Studies show that exogenous factors significantly influence attitudes toward entrepreneurship which, in turn, significantly influence entrepreneurial intentions. These studies assert that exogenous factors such as skills, experience, role models, knowledge, and personality traits influence attitudes (Fini, Grimaldi, Marzocchi & Sobrero, 2009). He also argues that these, and other exogenous factors that work upon the person or the situation, may also moderate the relationship between entrepreneurial intentions and behaviour.

It is apparent that Kenya has to take all precautions to ensure that she promotes her private sector to improve her economy. The inflow of Foreign Direct Investment (FDI) and the development of MSEs are both essential driving forces for economic growth in Africa (Wilson, 2009). There is evidence that FDI has a lot of contribution to the host country including source of new technology, processes, products, capital, management skills, access to markets, and access to expertise (OECD, 2001).

1.1.3 Foreign Direct Investment

Foreign direct investment refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor. FDI occurs when a company from one country makes a physical investment in another country. This definition also includes other forms, such as the direct acquisition of a foreign firm, construction of a facility, investment in a joint venture, or a strategic alliance with a domestic company. FDI can take several forms: the purchase of an existing firm through a merger or acquisition (M & A); a start-up project; a joint venture

with local partners; or partial acquisition through licensing agreements, (IMF, 1993).

The role of FDI as a source of capital and technology has grown over time, as other sources of capital have become scarcer or more volatile and technological change has accelerated (Narula & Lall, 2006). Multinational enterprises (MNEs) continue to dominate the creation of technology. The rising costs and risks of innovation have raised their importance (with the exception of very new technology areas). The country that gets foreign direct investment can also develop the human capital resources by getting their employees to receive training on the operations of a particular business.

The attitude towards inward FDI has changed considerably over the last couple of decades, as most countries have liberalized their policies to attract investments from MNEs. This is with the expectation that foreign MNEs will raise employment, exports, or tax revenue. The knowledge brought by the foreign companies may also spill over to the host country's domestic firms (Zhu, 2010).

Several studies have analyzed the spill over effect of FDIs in various countries. Some indicated that the inflow of foreign capital into the Argentine manufacturing sector in the 1950s had a significant impact on the technologies used by local firms. Some emphasis has been put on the fact that the technical progress did not only take place in the MNEs' own industries, but also in other sectors. This is because the foreign affiliates forced domestic firms to modernize by imposing on

them minimum standards of quality, delivery dates, prices, and so on in their supplies of parts and raw materials (Heinz & Robert, 2003).

Aitken and Harrison (1991) include some discussion about inter-industry effect in Venezuelan manufacturing, and argue that forward linkages generally brought positive spill over effects. In his study Zhu (2010) identifies positive inter-industry spill overs in Indonesian manufacturing industry. There is evidence that the presence of foreign multinational companies may raise the productivity of locally owned firms in other industries, presumably through various linkages. The greatest impact of MNCs in Colombian manufacturing is across rather than within the subsidiaries of own industries.

Literature further shows the importance of FDI in several countries, particularly in the developing countries. It has been observed that FDI has been able to improve the infrastructural condition of a country, technological development as well as raising the standard of living of the general public of the host country. The health sector of many a recipient country has also been benefited by the foreign direct investment (Ambika, 2009). Thus it may be said that FDI plays an important role in the overall economic and social development of a country.

However, though literature shows the importance of FDI in other countries, little is known about the impact of FDI in Kenya in enhancing entrepreneurial intention which facilitates entrepreneurship growth. Yet Kenya has attracted a large number of foreign investors from various parts of the world.

1.2 Statement of the Problem

Over the last two decades Kenya has continued to attract large numbers of foreign direct investments. Between 2002 and 2008 there was a steady increase of FDI value, with the value being at 27.6 million USD in 2002 and up to 95.6 Million USD in 2008 (IMF, 2010). The number of projects coming to Kenya in 2010 rose up to 77 per cent compared with Nigeria's 29 per cent and South Africa's 57 per cent.

Research shows that FDI is a key factor in global economic integration and the internationalization of businesses. This is because it goes along with various benefits which include technological transfer and managerial skills. For the MSEs, FDI represents access to markets, access to expertise and most of all access to technology. MSEs play an important role in the Kenyan economy. They create employment at low levels of investment per job, use mainly local resources, promote local creativity and innovation, and provide skills training at low cost to society.

However, this sector is confronted by several drawbacks and challenges. Some of the major obstacles include lack of appropriate technology and inefficiency (UNIDO, 2003), limited market access, access to finance (Arthur, 2003) and competition (Murphy, 2007). Kenya relies mostly on imported technology and therefore, needs to engage in the process of learning and adapting these technologies to local conditions. Regardless of the high number of FDIs in Kenya and the high number of Kenyans working there, there is no evidence that FDIs play any role in facilitating entrepreneurship growth in Kenya. There are several

Kenyan employees employed in the FDIIs. This poses the danger of the country over relying on foreign investors especially as a source of employment at the expense of local entrepreneurship growth.

This study sought to establish if exposure to exogenous factors among the Kenyan employees working in the FDIIs created entrepreneurial intentions. The presence of entrepreneurial intention leads to entrepreneurship growth. Since intentions play a very relevant role in the decision to start a new enterprise (Linan & Chen, 2009). The study therefore intended to identify the contribution of FDIIs in entrepreneurship growth by enhancing of entrepreneurial intention.

1.3 Objectives

1.3.1 General objective

The general objective of the study was to explore the influence of foreign direct investors in enhancing entrepreneurship growth among the Kenyan employees.

1.3.2 Specific objectives

1. To determine how Foreign Direct Investors act as role models to enhance entrepreneurship growth among the Kenyan employees.
2. To explore the influence of skills acquired in the foreign investments on entrepreneurship growth among the Kenyan employees.
3. To establish the effect of technology transfer from the Foreign Direct Investments on entrepreneurship growth among the Kenyan employees.
4. To determine the influence of enterprise linkages availed by foreign direct investors to entrepreneurship growth among the Kenyan employees.

5. To establish the effect of capital raised in the Foreign Direct Investments on entrepreneurship growth among the Kenyan employees.

1.4 Research Hypotheses

A hypothesis is a tentative assumption or preliminary statement about the relationship between two or more things that needs to be examined (Welma et al, 2005). It is a premade statement of the results of an investigation indicating the relationship between two or more variables that await verification. The researcher will use hypothesis because of their importance in bringing clarity, specificity and focus to a research study (Kumar, 2005). In this study, the researcher formulated the following hypotheses to affirm the creditability of the study.

1. H_0 : Foreign Direct Investors do not act as role models to enhance entrepreneurship growth among Kenyan employees.
2. H_0 : Skills acquired in the foreign investments do not have an influence on entrepreneurship growth among Kenyan employees.
3. H_0 : Technology transfer from the foreign direct investments has no effect on entrepreneurship growth among Kenyan employees.
4. H_0 : Enterprise linkages availed by the Foreign Direct Investors have no effect on entrepreneurship growth among Kenyan employees.
5. H_0 : Capital raised in the Foreign Direct Investments has no effect on entrepreneurship growth among Kenyan employees.

1.5 Significance of the Study

This study was carried out in order to offer new knowledge concerning the contribution of foreign direct investments in increasing entrepreneurial intention

among Kenyans and their contribution towards generation of new businesses. With the high inflow of FDIs in Kenya, this study sought to verify if their presence has any positive impact on entrepreneurship growth. Could their presence be a negative factor? It further investigated the role FDIs play in enhancing entrepreneurship growth through the spill over effect on the Kenyan small businesses.

The study also contributed to the theory of entrepreneurship and offer practical implication for policy makers by providing understanding of entrepreneurial intention as well as help in formulating policies for attracting foreign investors. Lastly it contributed to the understanding of the complication involved in the decision making process of an individual or group of individuals concerning entrepreneurship especially in new venture creation.

1.6 Scope

The study focused on Kenyan employees working within the FDIs located in Nairobi County. The county has a wide inclusion of FDIs in all business sectors under which FDIs are registered in Kenya. These sectors are manufacturing, service, agriculture and tourism. There is also a large number of FDIs within this county - 55 per cent, Mombasa accounts for about 23 per cent of the total FDIs in Kenya while 25 per cent is spread out in other counties. The study was limited to the specific objectives and the data was obtained on role modeling, acquisition of skills, technology transfer, enterprise linkages and capital.

These variables were selected on the basis of the theory in use, Theory of Planned Behavior. Other variables that enhance entrepreneurial intentions included internal

factors – personality factors e.g. willingness to take risks. However the study focused on exogenous factors offered by the FDIS.

1.7 Limitations

The main limitation was that the employees were a bit hesitant in revealing some information about their employers for fear of victimization. This limitation was minimized by assuring the respondents of confidentiality and confirmation that the information gathered was to be used purely for academic reasons.

Another limitation experienced was measurement of cognitive constructs which is somewhat problematic, as happens with most unobserved variables. At this stage of entrepreneurship research, there is no standardized or widely accepted instrument to measure entrepreneurial intentions (Linan, 2008). In most instances, researchers use their own ad hoc instruments. However, Linan and his collaborators (Linan & Santos 2007; Linan & Chen 2009), have developed an Entrepreneurial Intention Questionnaire (EIQ) presenting satisfactory properties in measuring these cognitive constructs. This study incorporated some of the questions used in the EIQ in its questionnaire.

1.8 Definition of Terms

Direct investment

This is the category of international investment that reflects the objective of a resident entity in one economy (direct investor) of establishing a lasting interest in an enterprise (the direct investment enterprise) resident

in another economy that is made with the objective of obtaining a lasting interest (UNCTAD, 1999).

Lasting interest

This implies the existence of a long-term relationship and a significant degree of influence by the direct investor on the management of the direct investment enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises both incorporated and unincorporated (OECD, 2010).

Foreign direct investment (FDI)

This is investment made to acquire a lasting interest in or effective control over an enterprise operating outside of the economy of the investor (IMF 1993).

Foreign direct investor

An individual, an incorporated or unincorporated public or private enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises which has a direct investment enterprise – that is, a subsidiary, associate or branch – operating in a country other than the country or countries of residence of the foreign direct investor or investors (OECD, 1999).

A direct investor

This is an individual, an incorporated or unincorporated public or private enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises which have a direct investment enterprise that is, a subsidiary, associate or branch, operating in a country other than the country or countries of residence of the direct investors (UNCTAD, 1999).

A direct investment enterprise

It is an incorporated or unincorporated enterprise in which a foreign investor owns 10% or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise (OECD, 2010).

Gross Domestic Product

This is the market value of all final goods and services produced within a country in a given period of time (Gregory, 2008).

Entrepreneurship

This is an attitude that reflects an individual's motivation and capacity to Identify an opportunity and to pursue it, in order to produce new value or economic success (EC, 2003). Most economic, psychological and sociological research points to the fact that entrepreneurship is a process and not a static phenomenon. Entrepreneurship is more than just a mechanical economic factor (Pirich, 2001). It has to do with change and is

commonly associated with choice-related issues. It is the process of creating something new, with value (Hisrich & Peters, 2005)

Entrepreneurial intention

Bird (1988) defines intentionality as the state of mind that directs a person's attention towards a goal, in this case entrepreneurial. While Learned (1992) adds that intention is an active rather than a passive concept. It is a state of mind that directs and guides one's actions towards the development and implementation of a business concept (Boyd & Vozikis, 1994; Gupta & Bhawe, 2007). Entrepreneurial intentions describe the degree of commitment directed towards the performance of the entrepreneurial endeavor of putting up a business for self-employment (Souitaris *et al.*, 2007).

Entrepreneurship growth

The concept of entrepreneurship refers to enterprising individuals who display the readiness to take risks with new or innovative ideas to generate new products or services (Giorgio, 2011). Entrepreneurship is about the enterprising human activity of identifying and acting upon opportunities that create value, while growth is the identification and development of new products, processes and new businesses. It entails the human action in pursuit of the generation of value, through creation of economic activity. The more business ventures are created, the more entrepreneurship grows.

Venture creation

According to Longman dictionary of contemporary English, a venture is a new business activity that involves taking a risk. Venture creation is a set of behaviours undertaken by individuals who detect an opportunity and engage in starting a new business (Timmons, 2004). Gartner (1988) defines venture creation as the process of planning, organizing and establishing new business organizations.

Self-Efficacy

Self-efficacy is a person's judgment of his/her ability to execute a targeted behaviour (Ajzen, 1987). It is one's sense of competence; the belief that one can do something special (Bandura, 2001).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the integration of literature reviewed showing the relationship between FDI and entrepreneurship growth through new venture creation. The literature reviewed was divided into two main parts. The first section carries a discussion of different theoretical reviews, backgrounds relevant to FDI, entrepreneurial intention, its importance to entrepreneurship growth and the role of entrepreneurial intention in new venture creation. The second section presents the conceptual model of the conceptual framework. The framework is divided into various subsections which made up the variables in the study. Lastly there is a critique of the existing literature and research gaps.

2.2 Theoretical Framework

A concept is an image or symbolic representation of an abstract idea. Chinn and Kramer (1999) define a concept as a complex mental formulation of experience. While the theoretical framework is the theory on which the study is based, the conceptual framework is the operationalization of the theory.

2.2.1 Theoretical review of FDIs

Foreign Direct Investment is perceived as indispensable for the growth of developing countries in view of its multiple impacts. Foreign capital inflows are expected to enhance skills and know-how, improve efficiency in the use of resources, accelerate growth through capital accumulation and enhance trade (UNIDO, 2003). The impact of FDI on the process of economic development has

been discussed at length since the late 1960s. There has been a significant increase in FDI flows towards developing and emerging economies, with an increasing number of countries implementing policies for attracting FDIs by providing financial incentives and granting special tax allowances. This has raised concerns about the practices of MNEs and has contributed to the resurgence of both theoretical and policy debates (OECD, 2001). Several studies on FDI have been done, leading to development of several theories. Embedded in these theories is the role of FDI in entrepreneurship development and productivity (Kinuthia, 2009).

Some of the theories are in favor of FDI while others are against it.

Orthodox view

The orthodox view stresses on the importance of FDI as potentially an important ingredient for growth acceleration, poverty reduction and a reduction in income inequalities in developing countries. The inflow of foreign capital fosters growth in host economies by easing shortages of capital, foreign exchange and skills. It also involves up front value creation and employment creation (Carkovic & Levine, 2005).

Scholars in favor of FDI argue that it supports resource allocation, fosters growth, assists in the development of the local capabilities, and creates employment among other benefits (De Mello, 1997; Borensztein et al 1998). The classical economists considered FDI important because it serves as an instrument of allocating production to most efficient locations.

The classical school on one hand stresses on the importance of capital accumulation and a limited role of the state in development (Cepher & Dietz, 2008). They argue that the inflow of foreign capital fosters growth in host economies by easing shortages of capital, foreign exchange and skills. On the other hand the school argues that FDI also involves up front value creation and employment creation (Kinuthia, 2009). FDI has the effect of linking national economies into global trade streams or strengthening those linkages (Aitken et al., 1997).

In his survey of literature, Kinuthia (2009) observes that the impact of FDI on growth is identical to that of domestic investment. Within an endogenous growth framework FDI is generally assumed to be more productive than domestic investment, since FDI encourages the incorporation of new technologies in the production function of the host economy (Borensztein et al., 1998). In this view, FDI-related technological spillovers offset the effects of diminishing returns to capital and keep the economy on a long-term growth path. Moreover, endogenous growth models imply that FDI can promote long-run growth by augmenting the existing stock of knowledge in the host economy through labor training and skill acquisition, on the one hand, and through the introduction of alternative management practices and organizational arrangements on the other (De Mello, 1997).

Heterodox view

According to Ayres (1991), the heterodox theory attributes underdevelopment in poor countries to historical events. They consider FDI as harmful to poor

countries due to exploitation of resources, health hazards, and environmental unfriendly and in most cases resulting in enclave development in poor countries (Ayres, 1991; Myradal, 1970; Baran, 1952).

The development economists have suggested that development requires a big push or unbalanced growth if less developed countries have to get to the development path (Hirschman, 1958; Rosenstein-Rodan, 1943; Rostow, 1960). The heterodox economists however do not believe that relatively minor changes in economic conditions, such as an increase in investment will be sufficient to create the big push or the take-off into sustained growth.

They argue that such limited changes, within the context of existing structures and institutions prevailing in less privileged societies might result in a strengthening of backward social economic frameworks, consolidating the path of dependence. Hence radical institutional reforms would be required and in an extreme case a revolution if these countries have to develop (Ayres, 1991; Myradal, 1970; Baran, 1952).

Other scholars perceive FDI as a way of exploiting less developed countries with a lot of undesired effects (Singer, 1950; Cardoso & Faletto, 1979). The heterodox literature is largely not in favor of FDI because of potential negative effects in developing countries. FDI is perceived as a cause of resource exploitation and sometimes perpetrates the resource curse. In addition the FDI leads to enclave development and increases income inequality. Some regard FDI as unimportant and stress on investment in human capital.

Crowding in and crowding out

The effects of FDI on domestic investments are mainly discussed in literature in terms of crowding in (complements) and crowding out (substitutes) (Buffie, 1993). Several studies have found evidence of both crowding in and crowding out all over the world which according to Spencer (2008), depends on the strategies pursued by a Multinational Economy (MNE).

Studies showing evidence of crowding out include Adams (2009); Lin and Chuang (2007); Pawlik (2006) and Oglietti (2007). Several studies find evidence of crowding in such as Rutkowski (2006) and Harrison et al., (2004). Evidence of crowding in or out is dependent on the region (Driffield & Hughes, 2003; Misun & Tomsik, 2002). It also depends on the sector (Altomonte & Pennings, 2009) and the entry strategy FDI adopts (Yamin & Sinkovics, 2009).

Amid these variations and lack of consensus this research aimed at focusing on the role of FDI in entrepreneurship growth through new venture creation. In particular it sort to affirm if the foreign investors play any part in enhancing entrepreneurial intention among the locals who have a direct or indirect connection with the foreign owned businesses. This study assessed the role of FDI in entrepreneurship growth in Kenya with the perception that intentions lead to new venture creation.

2.2.2 Entrepreneurship theories

Over the years several theories have been put forward explaining the field of entrepreneurship. Theories are coherent formulations of relationships that explain entrepreneurship and its relations with other disciplines including psychology,

sociology, anthropology, and management (Kuratko & Hodgetts, 2008). Some of the entrepreneurship theories that have a direct contribution towards this study are discussed below.

The Economic Entrepreneurship Theory

It has deep roots in the classical and neoclassical theories of economics. These theories explore the economic factors that enhance entrepreneurial behaviour. Classical theorists articulated three modes of production: land; capital; and labour. These theorists do not acknowledge the enormous contribution of entrepreneurs of the industrial age (Murphy, Liao & Welsch, 2006).

Sociological Entrepreneurship Theory

Sociological theories argue that social structures like workplace, family and organizational social life affect one's entrepreneurial intentions. These theories focus on the social context, i.e. their level of analysis is traditionally the society (Landstrom, 1998). These theories, indicate that the difference in attitudes i.e. the internal attitudes of an individual on the society strongly influence their involvement in entrepreneurial endeavors (Simpeh, 2011). This approach tries to explain the social conditions from which entrepreneurs emerge and the social factors that influence the decision (Osborne, 1991).

Opportunity-Based Entrepreneurship Theory

The origins of this theory are authors such as Peter Drucker and Howard Stevenson. The theory states that entrepreneurs do not cause change (as claimed by the Schumpeterian or Austrian school) but exploit the opportunities that change

for example in technology, consumer preferences, and competition (Drucker, 1985). Other researchers emphasize that the entrepreneur always searches for change, and respond to it (Fiet, 2002; Shane, 2000). This points out to entrepreneurial intentions. When one identifies an opportunity, it enhances the intention which then leads to actual behavior of starting an enterprise.

Social Capital or Social Network Theory

Social capital is placed in the context of different theoretical types of capital (Lin, 2001). Capital represents investment in certain types of resources of value in a given society. Lin further says that social capital can be defined as resources embedded in one's social networks, resources that can be accessed or mobilized through ties in the networks. Through social networks one may borrow or capture another's (e.g., their wealth, power or reputation), which can then generate a return for the person.

Entrepreneurs do not exist in a vacuum but are embedded in larger social network structures. Through these networks an individual can identify business ideas thus enhancing entrepreneurial intention. Due to the exposure, an individual may have the ability to recognize that a given entrepreneurial opportunity exists (Clausen, 2006). Other researchers have suggested that it is important for nascent founders to have access to entrepreneurs in their social networks; this is true for employees as well (Gartner et al, 2004).

2.2.3 Theoretical review of entrepreneurial intention

Entrepreneurship is becoming a very relevant instrument to promote economic growth and development in different regional and national economies. However, social scientists have not still agreed on the determinants of the decision to become an entrepreneur. Hence, some studies have sort to analyze the entrepreneurial intention and its determinants (Krueger et al., 2000).

Entrepreneurship may be viewed as a process that occurs over time (Gartner et al, 1994; Kyro & Carrier, 2005). In this sense, entrepreneurial intentions would be the first step in the evolving and sometimes long-term process of venture creation (Lee & Wong, 2004). Due to the importance of entrepreneurial intention to venture creation this study identified the role FDI's play in instilling entrepreneurial intention among their local employees.

Katz and Gartner (1988) define entrepreneurial intention as the search for information that can be used to help fulfill the goal of venture creation. On the other hand, Hisrich et al (2008) define it as the motivational factors that influence individuals to pursue entrepreneurial outcomes. Bird (1992) stated that intention is a state of mind that directs a person's attention, experience, and behaviour towards a specific objective or method of behaving. Intentions act as a perceptual filter for understanding the complex relationships, resources and exchanges necessary for venture creation.

Research by Reynolds and Miller (1992) indicate that the personal commitment of the would-be entrepreneur to found a business has a significant impact on shaping the entrepreneurial intention. Although Katz (1990) has shown that many start-ups

are enacted or unintended rather than intended, Krueger and Carsrud (1993) suggest that intention is the single best predictor of entrepreneurial behaviour. They add that intentions are the underpinnings of new organizations.

Various scholars argue that there is a relationship between intention and venture creation. Building on the work of Shapero (1982), Ajzen (1991) and Krueger and Carsrud (1993) equate venture creation with planned behaviour. Viewed accordingly, entrepreneurial intentions are influenced by specific attitudes toward entrepreneurial opportunities such as perceived attractiveness, social norms, and control or competence (self-efficacy).

As noted, Krueger and Carsrud (1993), believe that intentions cause entrepreneurial behaviour (venture creation), fully mediating the relationship between attitudes and behaviour. They also assert that exogenous factors such as skills, experience, role models, knowledge, and personality traits influence attitudes, akin to Learned's (1992) discussion of factors affecting a person's propensity to found an organization.

Hisrich et al (2008) argue that entrepreneurial action is most often intentional. Entrepreneurial intent is rarely the process of unintentional behaviour. They add that entrepreneurial intention captures the motivational factors that influence behaviour and they conclude that it is these motivational factors that influence individuals to pursue entrepreneurial outcomes. Due to this argument, entrepreneurial intention was used as a moderating variable in this study.

2.2.4 Theory of planned behaviour

There is a growing body of literature arguing that intentions play a very relevant role in the decision to start a new firm (Linan & Chen, 2009). An intention is a representation of a future course of action to be performed; it is not simply an expectation of future actions but a proactive commitment to bringing them about (Bandura, 2001). Intentions and actions are different aspects of a functional relation separated in time. Entrepreneurial intentions describe the degree of commitment directed towards the performance of the entrepreneurial endeavor of putting up a business (Krueger & Carsrud, 1993; Drennan, Kennedy & Renfrow, 2005).

Several entrepreneurial intention models have emerged over the years (Shapero, 1982, 1985; Krueger, 2000) and are considered well accepted to explain entrepreneurial intentions (Drennan & Saleh, 2008). However, two intention-based models that are widely recognized and offer a well-developed theory base that increases rigor of research are: Ajzen's (1991) theory of planned behaviour (developed and validated in social psychology) and Shapero's (1982) model of entrepreneurial event. These models, compared by Krueger, Reilly and Carsrud (2000), indicate considerable overlap between them and reveal that, in order to encourage new venture formation, it is important to first increase perceptions of feasibility and desirability.

The motivations and behaviour of individuals who aspire to create new ventures is an intriguing area of entrepreneurship research and has received increased attention (Birley & Westhead, 1994; Carter et al., 1996, Krueger & Carsrud, 1993; Davidsson & Honig, 2003). Several approaches to identifying "where

entrepreneurs come from” have emerged. One popular approach employs long-standing psychology models of planned behaviour to explain how ideas evolve into new ventures (Kruger & Carsrud, 1993; Krueger & Brazeal, 1994).

Entrepreneurial intentions are one of the most relevant elements within the individual’s cognitive process leading to start up a venture (Krueger, Reilly & Casrud, 2000). These intentions influence the individual’s behaviour by capturing the motivational factors. Therefore, intentions can be used to measure the effort planned by an individual to perform the behaviour of firm creation.

With this literature review in mind, this study borrowed from Ajzen’s theory of planned behaviour (fig 2.1) to verify if FDIs offer the exogenous factors that enhance entrepreneurial intention among their local employees. It is one of the best-supported social psychological theories with respect to predicting human behaviour (Sommer, 2011). This theory has been adapted to study the intention to start a business venture (Krueger, 1993; Krueger et al., 2000; Kolvereid, 1996; Fayolle & Gailly, 2008). It explains intentions by means of behavioural attitudes, subjective norms and perceived behavioural control. That is, individuals make their firm creation decision based on three elements: personal preference or attraction towards entrepreneurship; the perceived social norms regarding that venture and thirdly, perceived entrepreneurial self-efficacy (Linan, 2004).

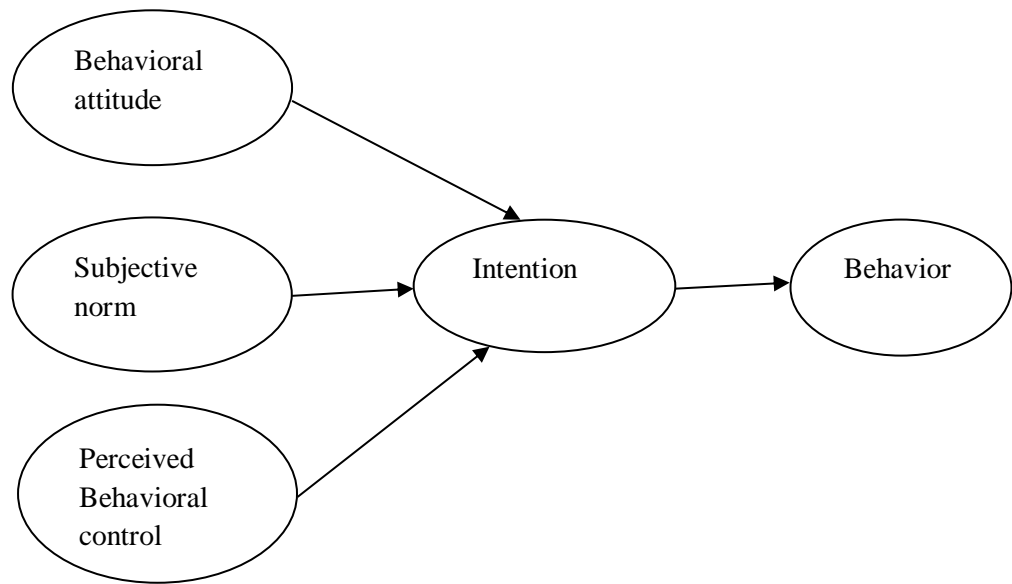


Figure 2.1: Theory of planned behaviour model

Source: Ajzen (1991)

To add unto this theory the three elements have been strengthened by variables supported by literature; Bird (1988) identifies individual domains (e.g. personality, motivation, and prior experience) and contextual variables (e.g. social context, markets, and economics) as dimensions responsible for the formation of entrepreneurial intentions. Zhao, Seibert, and Hills (2005) also show that developed skills and abilities influence entrepreneurial intentions. Other scholars, studying the role of contextual dimensions, show that environmental influences e.g. industry opportunities and market heterogeneity (Morris & Lewis, 1995) and financial support (Luthje & Franke, 2003) impact entrepreneurial intentions. Studies have also shown that an individual's previous exposure to business, role models and networks are important factors in influencing individuals to become entrepreneurs (Hisrich & Brush, 1994; Taylor & Thorpe, 2004).

This study concentrated on five of the above variables: role modelling, acquisition of skills, technology transfer, business linkages and provision of capital. Using the theory of planned behaviour, the study verified that the entrepreneurial intentions of employees in the FDIs had been enhanced. This could be associated with the exogenous factors that were availed to them from the FDIs. The results indicated that the above factors which are among the benefits brought about by foreign investors influence the attitude towards entrepreneurial intentions. As noted by Krueger and Carsrud (2004), intentions cause venture creation and since entrepreneurship may be viewed as a process that occurs over time (Gartner et al, 1994; Kyro & Carrier, 2005) entrepreneurial intentions would be the first step in the process of entrepreneurship growth through venture creation (Lee & Wong, 2004).

From the Theory of Planned Behaviour a model of entrepreneurial intention was developed (fig 2.2). The model included all the variables identified in the theoretical review. The exogenous factors availed in the FDI were placed under the three elements of the TPB. Entrepreneurial intention was brought in as the moderating variable while behaviour was associated with venture creation which leads to entrepreneurship growth, the dependent variable.

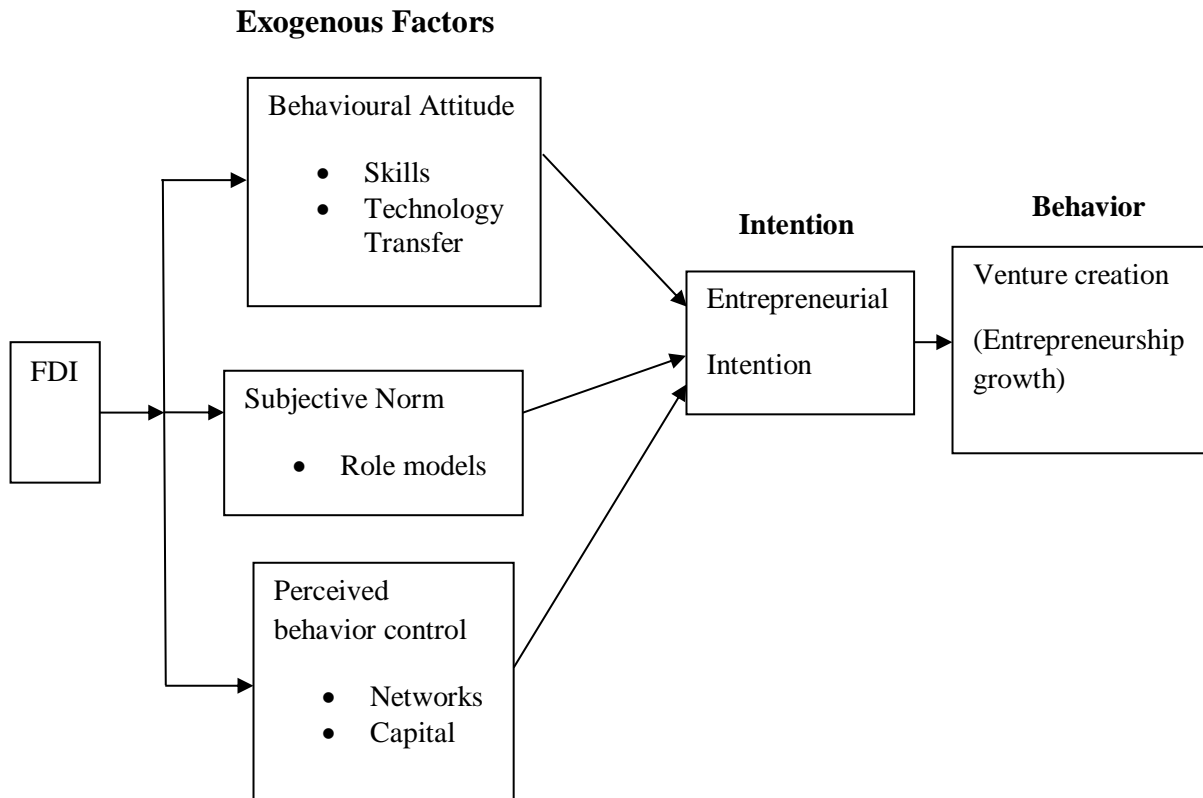


Figure 2.2: Model of entrepreneurial intention adapted from theory of planned behaviour model

2.3 Conceptual Framework

Miles and Huberman (1994) defined a conceptual framework as a visual or written product that explains, either graphically or in narrative form the main things under study- the key factors, concepts, or variables and the presumed relationships among them. Using the model discussed above (fig 2.2), a conceptual framework was developed to verifying if FDIs play any role in enhancing entrepreneurial growth in Kenya.

The independent variables under study were derived from the literature reviewed. Under each variable a number of indicators were studied, and the research findings indicated that the indicators contributed (though in varying degrees) in

the enhancement of entrepreneurial intentions, leading to new venture creation – which contributes to entrepreneurship growth.

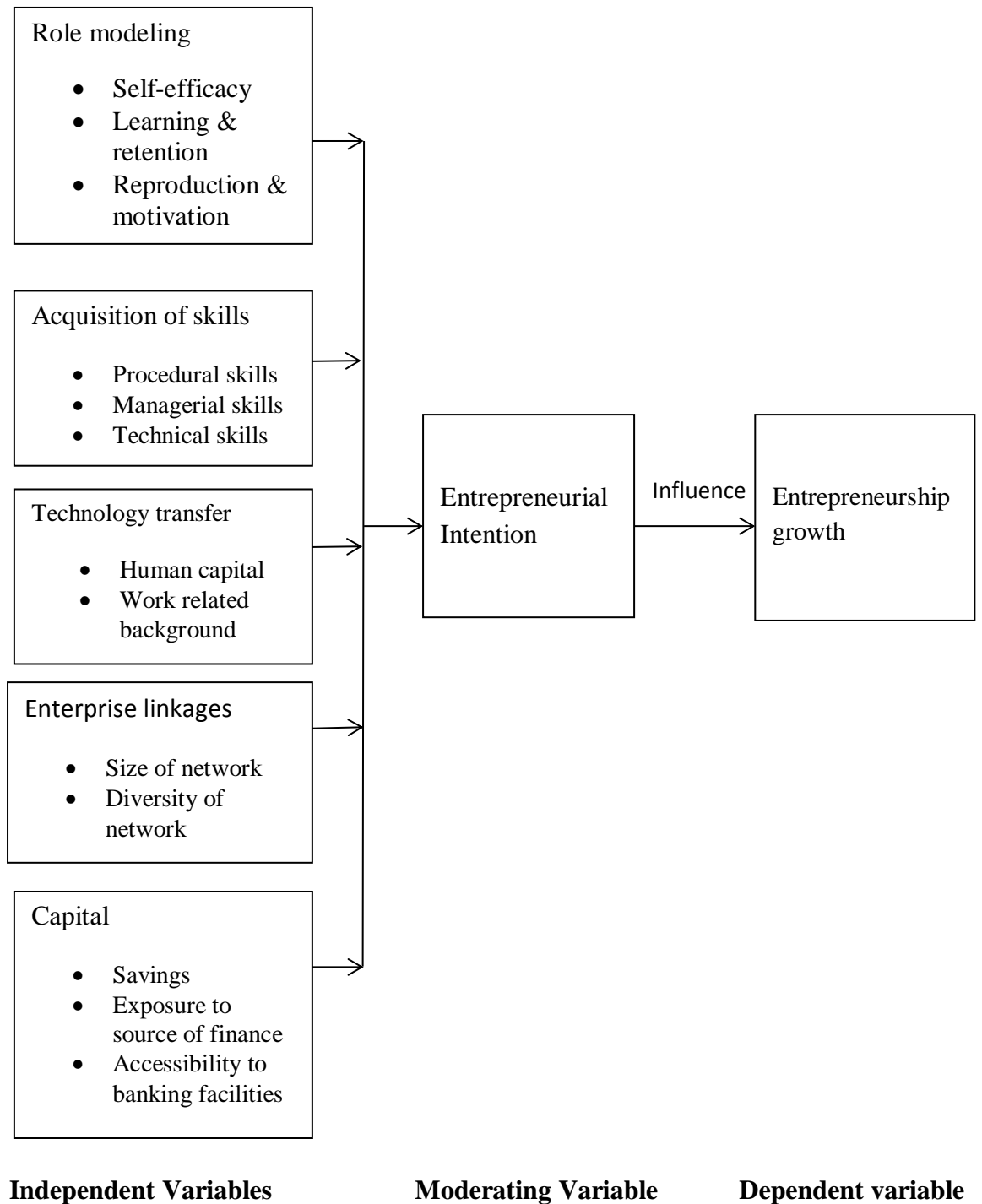


Figure 2.3: Conceptual framework

2.4 Empirical Review

According to Low and Macmillan (1988), entrepreneurship can be defined as the creation of new enterprises. Many studies including Krueger's study (1994) show that exogenous factors significantly influence attitudes toward entrepreneurship which, in turn, significantly influences entrepreneurial intentions. The exogenous factors under this study which were the independent variables were role modelling, acquisition of skills, technology transfer, business linkages and provision of capital while entrepreneurial intention was the moderating variable. Entrepreneurial intention leads to venture creation, which in turn leads to entrepreneurship growth which was the dependent variable. This study sought to investigate the relationship between the dependent variable and the independent variables that may have been influenced by entrepreneurial intention. The unit of analysis was local employees working in the foreign owned investments. Intention is the state of mind that directs and guides the action of these employees into starting their own businesses.

2.4.1 Impact of FDI as role models

Role models are individuals influencing an entrepreneur's career choice and style. One of the most important factors influencing potential entrepreneurs is their choice of role models (Hisrich R. *et al*, 2008). He adds that successful entrepreneurs are viewed frequently as catalysts by potential entrepreneurs. While Niels *et al.*, (2011) citing Shapiro *et al.*, (1978); Basow and Howe (1980) and Wright *et al.*, (1997) say that a role model is a common reference to individuals who set examples to be emulated by others and who may stimulate or inspire other individuals to make certain decisions and achieve certain goals.

Role models may also enhance the desire to become an entrepreneur and the entrepreneurial self-efficacy of individuals (Van Auken *et al.*, 2006). This may, in turn, positively influence entrepreneurial intentions and ultimately, entrepreneurial activity (Krueger *et al.*, 2000). Ajzen (1991), Akerlof and Kranton (2000) argue that individual decisions to engage in a certain behaviour are often influenced by the behaviour and opinions of others, and by the examples they provide. This also holds for the occupational choice of individuals and, more specifically, the decision to engage in entrepreneurship (Niels *et al.*, 2011).

Wicksteed (1999) points out that entrepreneurial behaviour is to look at entrepreneurship as a personal choice that is based on expectations of success, perceptions of social desirability and on an individual's personal preferences. This is apparently determined by what one observes from successful entrepreneurs. These thus, become their role models. It is commonly held that role models are important in promoting the concept of entrepreneurship in society.

According to Anderson (1995), the existence of role models in a society will have a positive effect on the development of entrepreneurship and vice versa. Hence in Scotland a deliberate attempt has been made to promote the achievements of new and successful entrepreneurs through the publication of *Local Heroes* (Scottish Enterprise, 1997). While in America many universities have Entrepreneurship Halls of Fame, through which they not only celebrate the achievements of entrepreneurs, but introduce them to their students. This is with the belief that it is

often easier to learn from example than from precept or theory if we can personally identify with the example.

In his paper, Wicksteed (1999) emphasizes that entrepreneurial culture also recognizes that individuals are motivated by activities that will build their personal identities, transferable skills, and support networks. Morrison (2000) on the other hand argues that an enterprise culture is more than just a culture of business or culture that promotes new and small enterprises. These may be the manifestations of such a culture, but they are not the culture itself. In her model of the key features associated with entrepreneurship initiatives, Morrison identifies various inputs that influence culture, namely; religion, education, family history and role models.

Community members acquire skills of visioning, social networking, recognition of and response to opportunities, and self-directed learning, to produce an entrepreneurial social operating milieu that creates opportunities for themselves and others. In their study on the relationship between entrepreneurs and role models, Niels *et al* states that 60% of the respondents affirmed that their role models were former employers (Niels *et al*, 2011). On the other hand, Nanda and Sorensen (2009) in their study showed that 84% of the entrepreneurs with role models in their sample had personal contacts with their role models through employment. This study sought to ascertain the level of entrepreneurial intent enhanced by foreign investors through role modelling.

According to Bandura (1977) a role model enables a person to go through a four-stage cognitive process: attention, retention, reproduction and finally, motivation. This process enhances the degree of attraction towards becoming an entrepreneur (Shapero & Sokol, 1982). Gibson (2004) in his theory of role model functions states that entrepreneurial role models may perform four interrelated functions. These include inspiration and motivation; increasing self- efficacy; learning by example and learning by support.

This study combined the two theories and used self-efficacy, learning and retention, reproduction and motivation as indicators to establish if the foreign investors acted as role models to their employees. This was with the assumption that the enhanced personal attraction through observational learning increased entrepreneurial intention.

2.4.2 Acquisition of skills

Research shows that perceptions of having the knowledge, skills, and experience to start a business matter greatly to intention rates. Believing that they have the required skills produces the biggest difference in intent to start a business among adults (Fini *et al*, 2009). Several researchers have used managerial skills, technical skills and procedural skills as indicators in their measure of individual domain as a factor that fosters entrepreneurial activities.

Literature identifies individual domains such as personality, motivation, and prior experiences as dimensions responsible for the formation of entrepreneurial intentions (Bird, 1988). Bird adds that background and skills accumulated by each prospective entrepreneur are, in fact, predictors of entrepreneurial activities.

Roberts and Fusfeld (1981) argue that a high level of managerial skills is a requirement for individuals involved in high-technology firms, while Gupta and Govindarajan (2000) state that technical and procedural skills are fundamental in knowledge-intensive entrepreneurial environments. Baum *et al.* (2001) empirically show that technical, procedural and managerial skills have an impact on entrepreneurship. Also prior knowledge, defined by Shane (1999) as the stock of information generated through people's life experiences, influences entrepreneurial intention.

The increased role of FDI in developing and emerging economies has raised expectations about its potential contribution to their development. FDI can bring significant benefits by creating high-quality jobs and introducing modern production and management practices. They are also attracted with the expectation of attracting such spin-off benefits as advanced skills, know-how and technology (UNIDO, 2003).

Foreign direct investments by OECD-based MNEs may also affect the quality of jobs available in domestic firms when there are knowledge e spill overs from foreign to domestic firms. For example, domestic firms may learn from foreign firms by collaborating with them in the supply chain (Blomstrom & Kokko, 2003). Postal Knowledge transfers may also result from worker mobility, when domestic firms recruit workers with experience from foreign firms. Finally, increased product-market competition as a result of FDI may strengthen incentives among domestic firms to improve their efficiency.

Cheung and Lin (2004) identify several spill over channels to include reverse engineering, skill labor turnover, demonstration effects and supplier-customer relationships. Foreign investors affect their host economies, and local firms in particular, through a wide range of mechanisms. These are through linkages with the domestic firms, workers or local firms learning from watching or working for foreign firms, imitation, competition and through exports or trade spillovers (Markusen & Rutherford, 2005; Greenaway & Gorg, 2004).

Wen (2007) and Portal et al (2002) find evidence of demonstration effects. Liu and Buck (2007) find evidence of that learning by exporting (and importing). Brambilla *et al* (2009) find evidence of imitation. Eichengreen and Tong (2006) and Jabbour and Mucchielli (2007) find evidence of vertical linkages while Bietzer *et al.* (2008) find evidence of both horizontal and vertical linkages. Gorgh and Stroble (2005) suggest that firms which are run by owners who worked for multinationals in the same industry immediately prior to opening up their own firms are more productive than other domestic firms. This is basically because of experience acquired in the multinational organizations.

This study used technical skills, procedural skills and managerial skills as indicators (Fini, 2009) to measure this variable. The researcher sought to verify if FDIs expose their local employees to these skills which research shows are vital in enhancing entrepreneurial intention.

2.4.3 Technology transfer

Technology transfer is another key benefit of FDI activity in developing countries and is closely related to the process of human capital formation, and increases the

absorptive capacity of the host country workforce. Transfer can happen through many channels such as subcontracting to local firms and suppliers, training programs of employees, raising standards in workplace environment and other spin-off benefits. There is a strong believe that multinational enterprises possess superior production technology and management techniques, some of which are captured by local firms when multinationals locate in a particular economy (Davies, 1977; Teece, 1977).

The most significant spill-over effect of FDI on productivity gains is through the transfer and diffusion of technology. Evidence suggests that the impact of technology introduced by a TNC is highest if it is absorbable by local firms and diffused in the economy. This analysis refers mostly to technology imparted and diffused through backward linkages to local suppliers for the TNC (UNCTAD, 2001).

Foreign Direct Investment can also be a source of technology transfer to domestic firms when the presence of a foreign firm generates productivity or efficiency benefits for the host country's local non-affiliated firms. Liu (2008) distinguishes between the level and rate effects of spill overs on the productivity of domestic firms which can go in opposite directions. One of the main findings is that FDI indeed is a vehicle for technology transfer. There is evidence that FDI affects productivity of domestic firms through technology spill overs (Dimelis & Louri 2004; Liu, 2008; Driffield *et al.*, 2010; Bekes *et al.*, 2009). Few studies find that FDI restrains technology spillovers (Zeng *et al.* 2009; Lin *et al.* 2009).

FDI increases the rate of technological progress in the host country through a contagion effect from the more advanced technology and management practices used by the foreign firms (Findlay, 1978). This is through either copying the technology used by the foreign firms or accessing the latest technology. Such technology transfers may take place as a result of demonstration effects. Complementarily, indigenous firms may benefit from foreign affiliate's embodied firm-specific knowledge (Fosfuri *et al.*, 2001) when hiring workers trained by the foreign affiliates (Blomstrom & Kokko, 1998). These are knowledge spill overs in nature. Another kind of technological spill over occurs if multinational entry leads to more severe competition in the host country market, which forces local firms to use their existing resources more efficiently or to search for new technologies.

Mwega and Ngugi (2007) argue that local firms may adopt technologies introduced by foreign firms through imitation or reverse engineering; as a result of labor turnover whereby workers trained by foreign firms transfer technological knowledge to local firms or they start their own firms. It can also be through demand linkages whereby foreign firms provide services or inputs to local firms.

The technology transfer element of FDI is not automatic, however, and explicit efforts to enhance technology transfer in the FDI process are required if the desired effects are to be achieved. Because technological gaps exist between foreign investors of developed countries and domestic firms of developing countries, proper mechanisms need to be put into place, both from a structural level and business level, to realize such gains (Blomstrom & Kokko, 2003; Blomstrom & Kokko, 1998).

In the study of entrepreneurial intentions both psychological and economic entrepreneurship researchers have used both psychological and economic factors to measure entrepreneurial intentions (Carsrud & Brännback, 2009; Fini, Grimaldi, Marzocchi, & Sombrero, in press; Krueger, 1993). The economic factors include both human capital and social capital which may make entrepreneurial behaviour more feasible among individuals. In the model of planned behaviour by Ajzen (2001) various attributes including personal background have been used in studying behavioural intention. This study used indicators such as human capital (knowledge) and the employees' work related background to measure this variable.

2.4.4 Enterprise linkages

For many years, sociologists have been interested in how people's social networks influence their entrepreneurial intentions (Granovetter, 1973). Entrepreneurship research shows that social networks among other things affect opportunity recognition (Singh, 2000), entrepreneurial orientation (Ripolles & Blesa, 2005) and the decision to become an entrepreneur (Davidsson & Honig, 2003).

Entrepreneurial network literatures developed argue that entrepreneurs obtain valuable resources from their networks which help them achieve their goals including the start of business (Klyver & Schott, 2011). In their work, Stam and Elfring (2008) underline the importance of fit between entrepreneurs' social capital resources and the unique resource needs associated with an entrepreneurial orientation. They find that the combination of high network centrality and

extensive bridging ties strengthens the relationship between entrepreneurial orientation and performance.

Nelson (2007) states that linkages are a tried and tested method by which small scale enterprises can benefit from FDI and is the predominant form of interface between the two. While Wilson (2009) emphasizes that when a FDI invests in a country, it has three options for obtaining inputs in that country: import, produce locally in-house, or procure from a local supplier. Linkages are an optimal way for an SME to benefit as a local supplier and to meet the criteria set by the FDI. They are the strongest channel for the transference of skills, knowledge and technology from FDI.

The simplest linkages involve being engaged in contractual supply of goods and services. FDI moving into a new market usually need local firms as suppliers of maintenance services or as suppliers of materials and components. These can be upgraded to encompass more demanding tasks, involving more added value, as the incumbent builds longer-term relationships. This has a learning effect in the local firms and the process of knowledge accumulation results in a consequent leveraging of the technological capabilities of the host country (Smarzynska, 2002).

The correlation between FDI and trade is more than just the increased trade that would result from an absolute increase in the level of investment. FDI has the effect of linking national economies into global trade streams or strengthening those linkages (Aitken *et al.*, 1997). OECD research suggests that as countries

progress towards industrialized nation status, higher levels of inward FDI to the host country reflect and contribute to further integration in the economy on a global scale (OECD, 2002). Enhanced foreign trade flows, through greater openness to trade and investment, intensify exports as well as imports. Inward investment, as an export increasing strategy can be positive if it allows the host country to take advantage of their resource endowments and/or geographical location (UNIDO, 2003).

Promoting entrepreneurship growth means to find ways to make domestic enterprises more competitive so that they can develop and grow in a globalizing world (UNIDO, 2003). One way of benefiting even more from the substantial growth based on FDI is to look also at the opportunities for domestic SME's providing inputs and services to the large-scale operations, the forward and backward linkages. In addition, business opportunities for SME's are created by the spending of incomes on goods and services of employees of the large enterprises (multiplier effect).

This will have flow-on effects for domestic enterprises. Domestic enterprises will experience an increase in demand for the products and hence will produce and supply more. Buffie (2003) stresses that they will further need to employ more staff to meet the increase in business that they experience. This produces an increase in economic activity which in turn produces subsequent increases in demand and then supply in the supply chain.

Studies that have been carried out on both entrepreneurial networks and entrepreneurial intentions indicate that an individual's network provides information and resources which shape opportunity recognition and thereby influence the intention to become an entrepreneur (Klyver & Schott, 2011). Among some of the studies done, the researchers studied indicators such as size of network, age of network, density of network, diversity of network and business contacts (Minniti *et al.*, 2006). This study concentrated on size of network, diversity of network and business contacts as the main indicators under study. The size is important because people with larger networks are more likely to recognize opportunities, through this an intention to pursue it may emerge (Bhave, 1994).

2.4.5 Provision of capital

By creating employment the foreign investors usually provide capital for aspiring entrepreneurs. Direct employment is often the focus for locals working for foreign investors, yet often indirect employment effects are extremely important and usually overlooked. Employment in subcontracted firms that supply inputs to the foreign companies is usually equal to or much higher than direct employees (IMF, 2002).

FDI inflows tend to be sizable in many emerging countries. Indeed, since the mid-1990s, inward FDI has become the main source of external finance for developing countries and is more than twice as large as official development aid (UNIDO, 2003). According to Crook (2003) the composition of private capital flows to developing countries in recent years, has shifted significantly, with increased and more accelerated inflows of FDI compared to other capital flows. He further states that flows of short-term debt amounted to \$30 billion in 1980, shrank to \$15

billion in 1990 and turned negative from 1998 onwards; over the same period FDI grew from \$5 billion in 1980 to \$24 billion in 1990 and \$160 billion in 2000.

The effects of FDI on the level of employment can be both positive and negative. Empirical evidence lies between these opposite poles. Many studies show little or no effect of FDI on employment and domestic wages (Jenkins 2006; Jonakin 2009; Oostendorp 2009; Jurajda & Terrell 2009; and Elia *et al.*, 2009). However, some other studies show positive effects of FDI on employment. They include; Waldkirch *et al.* (2009); Braunstein & Brenner (2007); Girma & Gong (2008); Rama, (2003); Abor & Harvey (2008); and Airola (2008). They argue that entrepreneurial intention is heightened by the availability of capital, which can be acquired through employment. This is in form of savings or security.

Foreign Direct Investment has grown dramatically and is now the largest and most stable source of private capital for developing countries accounting for nearly 50 percent of all those flows (Theodore, 1999). Private capital flows now total more than 4/5 of all capital inflows to the less developed countries. Among these private capital flows, FDI is far the largest and most stable source of capital, climbing in recent years to nearly 50%.

Several studies have focused on the ability that a fertile environment has in fostering entrepreneurial intention (Niosi & Bas, 2001). In particular venture capital availability (Beck, Demirguc-Kunt, & Maksimovic, 2005) has been identified as a leading factor in the support of entrepreneurship.

In this study, the researcher used indicators such as accessibility to banking facilities, exposure to sources of finance, employees' keenness on saving and amount of salaries received to measure this variable. According to Mohamed et al. (2009), individuals who perceive the business opportunities through accessibility to capital are more likely to make the decision to start a new business.

2.4.6 Entrepreneurship growth

Entrepreneurship is the creation of organizations. The more ventures are created, the more entrepreneurship grows. Gartner (1988) defines venture creation as the process of planning, organizing and establishing new business organizations, while Timmons (2004) defines it as a set of behaviours undertaken by individuals who detect an opportunity and engage in starting a new business. It is through venture creation that entrepreneurship grows.

In order to study entrepreneurship growth among employees who were not yet in business it required the researcher to study their entrepreneurial intention. This is because as entrepreneurship researchers have over time tried to establish what leads a person into starting a new venture which in the long run leads to entrepreneurship growth, many scholars have focused on entrepreneurial intentions as the best predictor of entrepreneurial behaviour (Bird, 1988; Krueger, Reilly, & Carsrud, 2000). The establishment of new ventures has been identified by Bird (1988) as the outcome of entrepreneurial intentions.

Bird (1988) further suggests that an entrepreneur's intentions to start a business and the decisions that occur before start-up shapes the subsequent goals, strategies, and structures of the new venture. Tubbs and Ekeberg (1991) state that

an intention can be described as a cognitive representation of both the objective (or goal) one is striving for and the action plan one intends to use to reach that objective. Venkataraman (2000) supports the view that the two objectives (or goals) that mainly characterize entrepreneurship are the establishment of new independent firms.

Various researchers have used different indicators to study entrepreneurial intentions which are believed to lead to entrepreneurship growth. They have identified both cognitive and physiological indicators. Psychological rewards that center around the satisfaction of being one's boss, being more in control of one's own destiny or having ultimate responsibility for the success of the venture as well as financial rewards that come with the success of the business (Volery *et al*, 1997). Other authors suggest that a person's attitude towards entrepreneurship could be indirectly influenced by his /her prior work experience and the existence of role models (Peterman & Kennedy, 2006). They add that background and skills accumulated by each entrepreneur are, in fact, predictors of entrepreneurial activities.

In line with the above arguments, this research used indicators such as identification of attractive business ideas through exposure acquired in the FDI, desire for more satisfaction and independence and person's attitude towards entrepreneurship to study their entrepreneurial intention which leads to entrepreneurship growth. Their general attitude towards their employers (as role models) was also used as an indicator of growth.

Critique of Existing Literature

From the literature reviewed it is clear that very little has been done on identifying the role FDI play in enhancing entrepreneurial intention. Although studies show that entrepreneurial intention is a prerequisite of venture creation, no study has connected entrepreneurial intention with exogenous factors that have been identified as benefits of FDI. Besides filling this research gap, this study also added to the knowledge on the role of FDI (as an external factor) in enhancing entrepreneurial intention among the aspiring entrepreneurs in the host country, and in particular Kenya.

2.5 Summary and Research Gaps

The literature reviewed was based on the study, the role of FDI in facilitating entrepreneurship growth. There was a lot of literature reviewed on all the variables under study. Several studies have been done on FDI from different perspectives. Some have been done on importance of FDI to the economic development of developing countries (UNIDO, 2003; Kinuthia, 2009; Gorg & Greenway 2004 and Blomstrom & Kokko, 2003). Others have emphasized on the general importance of FDI to the host country Ajayi (2006) regards FDI as an engine of growth as it provides much needed capital for investment.

From the literature it is evident that new ventures are to be considered as engines of growth in an economy and it is therefore incumbent on policy makers to understand the key factors that encourage or impede the creation of start-ups. Many of the studies reviewed on entrepreneurial intentions indicate that intentions

are the best predictor of behaviour. Many factors have also been identified as being triggers of entrepreneurial intentions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methods that were available for the study and their applicability to use. Likewise the chapter presents how the research was implemented and how the researcher came up with pertinent findings. It presents and describes the procedure, methodology and the techniques used to gather, process, analyze and test the hypothesis formulated.

3.2 Research Design

This study used the descriptive and a correlational research designs. Descriptive research studies describe the characteristics of a particular individual, or of a group (Kothari, 2004). Orodho and Kombo (2002), argue that descriptive surveys can be used when collecting information about people's attitude, opinions, habits or any of the variety of education or social issues. Gay (1981) describes descriptive research as a process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subjects in the study.

Correlational studies are used to determine whether there is a relationship between two or more variables, as well as determine the nature, degree and direction of this relationship (Richard & Jian, 2013). There are three possible results of a correlational study: a positive correlation, a negative correlation or no correlation. In this study the researcher identified a positive correlation. This was shown by the increase of both independent and the dependent variable (entrepreneurship

growth). The correlation coefficient was close to +1.00. The study used the null hypotheses to make predictions about the variables.

3.3 Population

The target group under study was the local employees working in the foreign owned organizations located within Nairobi – Kenya. The total population of registered foreign direct investments in Kenya by country of origin as from year 2000 as illustrated on appendix 3.0 shows that there are eight hundred and twenty one approved and registered foreign investments in Kenya with a total of 74,299 local employees. These companies are located in various parts of the country including; Nairobi, Mombasa, Nakuru, Eldoret, Nanyuki, Kisumu, Kericho, Kakamega, Machakos, Athi River, Thika, Meru, among others. However, majority of them are located in Nairobi, followed by Mombasa.

The approved investment projects fall under different sectors. These are manufacturing, service (includes trade, professional services, financial services, transport – air, sea, road and ICT services), tourism and agriculture. Since it would be impossible to study FDIs located in every province within the country, taking into consideration time and cost limitations, the researcher based the study in Nairobi.

Using a purposive sampling technique - maximum variation sampling, also known as heterogeneous sampling, Nairobi was selected as the area of study. Using this technique one is able to capture a wide range of perspectives relating to the thing that one is interested in studying Bernard (2002). In this case the study was

interested in an area with a total representation of FDIs. The foreign investments operating within Nairobi were a good representation of the total population since all the sectors and countries of origin are represented within Nairobi. Nairobi has a population of 66 foreign companies from various countries of origin and fall under all sectors with a total of 770 local employees.

3.4 Sampling Frame

A sampling frame is the source material or device from which a sample is drawn. A sampling frame includes the actual list of individuals included in the population (Nesbary, 2000) which, in this study was composed of all the 770 local employees working in the 66 foreign investments located within Nairobi County.

Table 3.1: Distribution of FDI employees from various sectors in Nairobi

| Business sector | No. of firms | No. of employees |
|------------------------|---------------------|-------------------------|
| Agriculture | 5 | 52 |
| Manufacture | 22 | 343 |
| Service | 35 | 351 |
| Tourism | 4 | 24 |
| Total | 66 | 770 |

Source: Kenya Investment Authority, 2011

3.5 Sample and Sampling Technique

A sample was drawn from the sampling frame. The researcher used multi-stage sampling technique to get the sample. The first stage involved sampling the firms in their various sectors. Using the stratified sampling technique the firms were placed into the 4 sectors which included: agriculture, manufacturing, service and tourism. These sectors made up the stratus. The second stage involved sampling local (Kenyan) employees working within the sampled firms.

To calculate the employee sample size, the following formula was used.

Formula 1:
$$n = \frac{z^2 pq}{e^2}$$

When the researcher took the allowed error e to be 0.05, and the table value of Z as 1.96, n was 384.16.

$$n = \frac{(1.96)^2 \times (0.5) \times (0.5)}{e^2}$$

$$n = 384.16$$

When inserted in formula 2 the sample size was 256.

Formula 2:
$$nf = \frac{n}{1 + \frac{n-1}{N}}$$

Where: nf = desired sample size (when the population is less than 10000)

NB: The population for this research was less than 10,000.

$$n = 384.16 \text{ (from Formula 1)}$$

$$N = \text{the population (770)}$$

$$nf = \frac{384.16}{1 + \frac{384.16 - 1}{770}}$$

$$nf = 235$$

According to Patten (2004), the quality of the sample affects the quality of the research generalizations. He further states that obtaining an unbiased sample is the main criterion when evaluating the adequacy of a sample. Patten also identifies an unbiased sample as one in which every member of a population has an equal opportunity of being selected in the sample.

The study employed stratified random sampling to help ensure an unbiased sample population, during the first stage which involved sampling the firms in their various sectors. Cooper and Schindler (2008) stress on importance of stratified method as a technique used where the population is not homogeneous. Stratified random sampling ensures representation from various subgroups in the population (Mugenda, 2003). In this study the stratification was based on the type of business (business sector). There were 4 stratum namely, agriculture, manufacturing, tourism and service. The sample size per strata was calculated as follows:

$$Ss = \frac{sp}{N} Xn$$

Where: Ss = Sample size for stratum

Sp = Population size for stratum

N = total population size

n = total sample size

Table 3.2: Sample size as per stratum

| Sector | no. of sampled firms | no. of sampled employees |
|---------------|-----------------------------|---------------------------------|
| Agriculture | 2 | 17 |
| Manufacture | 10 | 100 |
| Tourism | 16 | 107 |
| Service | 2 | 9 |
| Total | 30 | 235 |

3.6 Instruments

The research instrument designed to attain this thesis' objectives and test hypothesis was a self-administered questionnaire. To determine the role of

Foreign Direct Investors in facilitating entrepreneurship growth in Kenya, the researcher prepared a questionnaire (see appendix 1) which was given to the intended respondents. These were the local employees within the FDIs.

The first part of the questionnaire contained questions on the characteristics of the employees in terms of gender and duration of employment or their affiliation to the company/firm. Part two had questions that determined the respondent's background. These questions had core competencies which included academics, skills acquired, experience and so on.

Part three had a number of questions regarding employment experiences, trainings received, exposure to business management as well as exposure to other businesses that are linked to the firm, and their attitude towards their employers as role models. The closed questions were limited to five-point Likert-scale (Likert, 1961) which ranges from "strongly agree" to "strongly disagree" (5 = 'Strongly Agree', 4 = 'Agree', 3 = 'not sure', 2 = 'Disagree' and 1 = 'Strongly Disagree'). Five-Point Likert-scale was used to reflect the agreement of the respondents. Likert scales are widely used in most research in business and other related courses in social science (Garland, et al 1984). The study was a perceptual study so the range in the scale captured the intensity of the respondents' feelings. When assessing an individual's attitudes, the disposition to their incline is important (Ndosi & Newell, 2011).

To elicit the cooperation of the respondents, the nature and purpose of the research was made known to the respondents and anonymity assured. The research instrument needed to be reliable. Test of reliability was done to ensure that the

instrument measured consistently. It also showed the extent to which the researcher could confidently rely on the information obtained through the use of the instrument adopted to gather data for the research work. This was done by use of the Cronbach's alpha test.

3.7 Data Collection Procedure

The primary data was collected by use of the questionnaires. The researcher used a self-administered questionnaire. For those employees who were not able to read and write well enough the researcher administered the questionnaires through interviews. This involved the data being collected by the researcher rather than being self-administered. The researcher read the questions exactly as they appeared on the questionnaire.

3.8 Pilot Test

A pilot study was carried out to test the reliability and validity of the instrument. Reliability is a measure of the degree to which a research instrument yields consistent results (Borg, Gall & Gall, 2003). The questionnaire was pre tested to ensure clarity and content validity prior to it being administered. Literature emphasizes on the importance of pilot tests. Bryman & Bell (2003) state that, it is always desirable to conduct a pilot study before administering a questionnaire to your sample while Marczyk, DeMatteo and Festinger (2005) observe that pilot test is the starting phase in data collection of the research process.

A sample size of 16 respondents was selected. Four respondents from each category were sampled using purposeful sampling to test the questionnaire. All the

questionnaires were returned therefore there was 100% response rate. During the pre-test the researcher was able to test the ease with which respondents were able to complete the questionnaire, the clarity and accuracy of the questionnaire instructions (Mugenda & Mugenda, 1999), the length of the questionnaires and the level of redundancy. The researcher verified that the length of the questionnaire was appropriate since all the respondents were comfortable with the time it took to fill them. Most of the instructions given were clear. However, on no.2.1, there were some questions that were repeated. There was also a mix up of questions on the same number. These were rectified as per appendix 1.

In order to test for the internal consistency of questions, the Cronbach's alpha method was used with a presumed value of 0.700 (Cronbach, 1951). Internal consistency describes the extent to which all the items in a test measure the same concept or construct and hence it is connected to the inter-relatedness of the items within the test (Mohsen & Dennick, 2011). Internal consistency should be determined before a test can be employed for research or examination purposes to ensure validity. In addition, reliability estimates show the amount of measurement error in a test.

Questions under every section were analyzed and compared with the presumed value of 0.700. If questions of any section did not meet this condition, the questions that contribute to this anomaly were considered not consistent and therefore deleted from the questionnaire or considered for restructuring/reframing. Those were the questions that had a much lower Item-Total Correlation.

Section 2.1 under Role modelling question 7 was found to cause internal inconsistency and was considered for deletion from this research because a similar question had been captured in section 2.6. No.8. When this value was deleted the analysis produced an overall Cronbach's alpha of 0.713 for Role modelling Likert scaled questions. In the other sections all the questions were retained since the value acquired suggested that there was a high internal consistency among all the questions.

3.9 Data Processing and Analysis

The data collected was edited, coded, and summarized. Descriptive and inferential statistical techniques were then used to analyze the data. Descriptive statistics summarized data and described the sample, and inferential statistics enabled the researcher to infer the sample results to the population (Mugenda & Mugenda, 2003). Scatter plots were used to enable the researcher to meaningfully describe a distribution of scores. These showed if the relationships of the dependent variable and the independent variables were linear. Measures of dispersion gave information about the spread of the scores in the distribution.

Data frequency distribution and cross tabulation was used in describing and explaining the situation as it is in the enterprises. Data was coded and analyzed simultaneously as collected. Through content coding, a list of key ideas and themes for each variable was generated and this guided the nature of integration needed for the data collected. Views and ideas that were frequently expressed were noted. Data was then operationalized through scoring for crosschecking with the quantitative data.

The Statistical Packages of Social Sciences (SPSS) was used for data analysis. Analysis of Variance (ANOVA) was used to analyze the degree of relationship between the variables in the study. This gave an indication to the strength and direction of association between the variables. For every scientific or social research a hypothesis is essential for making conclusive decisions of the research study, therefore the ANOVA was also used to test the hypothesis.

A statistical research model was used to examine the validity of the research and existing relationship of the independent and dependent variables. In the development of the research model, both the independent and dependent variables were used to produce a workable model. This was the Multiple Linear Regression Model. From the conceptual frame work, the model was developed. In this case entrepreneurship growth being the dependent variable took the variable [y]

The roles of foreign direct investment in facilitating entrepreneurship growth were independent variables and they included:

- (a) Role modelling (X_1)
- (b) Acquisition of skills (X_2)
- (c) Technology transfer (X_3)
- (d) Enterprise linkage (X_4)
- (e) Capital (Seed) (X_5)

The model was held as: $Y=b_0+b_1X_1+b_2X_2+b_3X_3+b_4X_4+b_5X_5+e$

Growth was measured by the number of respondents with a high entrepreneurial intention with the assumption that the higher the entrepreneurial intention, the higher the chances of the prospective entrepreneur to start a new business venture.

The model was essential in making important inferences on the relationship between the dependent and independent variables. Multiple regression analysis was conducted to test the overall effect on the study model. The coefficients of the independent variables $x_1, x_2 \dots x_5$ were significant in showing the rate of how the independent variables affected the dependent variable. This model conclusively showed that the FDIs played a role in facilitating entrepreneurship growth in Kenya, by creating an Entrepreneurial intention among their local employees.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This study investigated the role of foreign direct investment in promoting entrepreneurship growth through entrepreneurial intention among their local employees. A sample was drawn from the local employees and the findings are discussed in this chapter. The independent variables under study were role modelling, acquisition of skills, enterprise linkages, technology transfer and capital, while the dependent variable was entrepreneurship growth. The chapter shows the presentation of the processed data as well as the analysis and interpretations. The processing was done by use of SPSS.

4.2 Response Rate

The study was conducted in Nairobi County, on 30 Foreign Investment. A sample size of 235 local employees was selected. Out of the 235 questionnaires distributed 201 were returned as shown on Table 4.1. This shows that there was an 85% response rate. This is an acceptable response rate according to Mugenda and Mugenda (2003), a response rate of 50% is adequate, and 60% is good while 70% and above is rated as being very good.

Table 4.1: Response rate

| Sector | Sampled firms | Questionnaires issued | No. returned |
|---------------|----------------------|------------------------------|---------------------|
| Agriculture | 2 | 17 | 12 |
| Manufacture | 10 | 100 | 93 |
| Tourism | 16 | 107 | 89 |
| Service | 2 | 9 | 7 |
| Total | 30 | 235 | 201 |

4.3 Background Information

The findings as discussed below are in line with other research studies. Research has established that demographic factors such as age, education level, experience, training, and specialization influence entrepreneurs into starting enterprises.

4.3.1 Gender respondent

Out of the 201 respondents, 119 (59.2%) were males while 82 (40.8%) were females (see Table 4.2). This difference could be attributed to the fact that manufacturing companies employ more males than females. Gender difference does not affect the findings since entrepreneurial intention is not influenced or affected by gender.

Table 4.2: Gender respondent

| Category | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------------|------------------|----------------|----------------------|---------------------------|
| Male | 119 | 59.2 | 59.2 | 59.2 |
| Female | 82 | 40.8 | 40.8 | 40.2 |
| Total | 201 | 100 | 100 | 100 |

4.3.2 Age distribution

The respondents' ages ranged between 18 and 50 years, with only one person over 50 years. There were 30 (14.9%) with age range between 18-25 years. The

majority were aged between 25-30 years which was 49.8%, followed by age group 30-40 years (25.9%), (see Table 4.3).

Studies point out age as an important factor for determining a person's propensity to found a firm (Brockhaus, 1982; Reynolds, 1995). Age has been shown to be a triggering factor of entrepreneurial behaviour as it is a crucial characteristic in the thought decision-making process (Levesque & Minniti 2006).

Table 4.3: Age distribution

| Age Distribution | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------------|------------------|----------------|----------------------|---------------------------|
| 18 – 25 | 30 | 14.9 | 14.9 | 14.9 |
| 25 - 30 | 100 | 49.8 | 49.8 | 64.7 |
| 30 - 40 | 52 | 25.9 | 25.9 | 90.5 |
| 40 - 50 | 18 | 9.0 | 9.0 | 99.5 |
| over 50 | 1 | .5 | .5 | 100.0 |
| Total | 201 | 100.0 | 100.0 | |

4.3.3 Marital status

The data revealed that 57% of the respondents were single, followed by 40.5% married. Widowed and divorced were 1.0% and 1.5% respectively as illustrated in Table 4.4. Marital status is not only a tie but also a potential constraint on entrepreneurial activities due to gender-based expectations. For example, single women are similar to married men, in their ability to allocate their time to business activities with little regard to domestic responsibilities (Starr & Yudkin, 2006). Thus, it would seem likely that single females could begin and pursue business start-up activities more easily than their married counterparts.

Table 4.4: Marital status

| Marital status | Frequency | Percent Valid | Percent | Cumulative Percent |
|-----------------------|------------------|----------------------|----------------|---------------------------|
| Married | 82 | 40.3 | 40.5 | 40.5 |
| Single | 114 | 56.7 | 57 | 97.5 |
| Windowed | 2 | 1 | 1 | 98.5 |
| Divorced | 3 | 1.5 | 1.5 | 100 |
| Total | 201 | 100.5 | | |

4.3.4 Area of specialization

The data collected shows that only 27.9% and 21.8% of the respondents had technical and management specialization while the majority 50.3% had other specializations as shown on Table 4.5. Researchers show the importance of specialization in enhancing entrepreneurial intentions of individuals. Watson (2008) cited area of specialization as a factor for successful venture creation.

Table 4.5: Area of specialization

| Area of specialization | Frequency | Percept | Valid Percept | Cumulative Percept |
|--|------------------|----------------|----------------------|---------------------------|
| Technical | 56 | 27.4 | 27.9 | 27.9 |
| Management(financial and human resource) | 45 | 21.4 | 21.8 | 49.7 |
| Other | 100 | 49.3 | 50.3 | 100 |
| Total | 201 | 98 | 100 | |

4.3.5 Level of education

The research established that 46.5% of the respondents had acquired tertiary level of education, 28.5% university education and 25.0% with secondary level of education (see Table 4.6). These results are supported by other studies that have established that education and experience are antecedents to the decisions to start a business (DeTienne & Chandler, 2007). They also argue that years of formal

education of the entrepreneur influence starting a firm in the area of training. In recent years new business founders have been found to have above average education (Wärneryd, Davidsson & Wahlund, 1987; Aronsson, 1991). Comprehensive data from the US indicate that groups with lower education show less of an interest in an entrepreneurial career (Reynolds, 1995; Reynolds & Miller, 1990). This shows that there is a positive influence of education on entrepreneurial intention. Wang and Wong (2004) discussed that gender, family business experience, and education level significantly impact persons' entrepreneurial intention.

Table 4.6: Level of education

| Area of specialization | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------------------|------------------|----------------|----------------------|---------------------------|
| Secondary | 51 | 25.4 | 25 | 25 |
| Tertiary | 93 | 46.3 | 46.5 | 71.5 |
| University | 57 | 28.4 | 28.5 | 100 |
| Total | 201 | 98 | 100 | 100 |

4.3.6 Work experience

The research findings indicated that 45.2% of the respondents had an experience ranging between 5-10 years, followed by 39.2 % with an experience ranging between 10-20 years and only 1.5% with over 20 years of experience in the same company. This is as indicated on Table 4.7

The findings suggest that more of the respondents had higher experiences. This is as per other studies that verify the importance of experience, as a major source of self-efficacy (Boyd & Vozikis, 1994). The experience gained at the place of work should directly or indirectly affect conviction. Conviction enhances

entrepreneurial intention. Experience is acquired more by those who work in a small, owner-managed firm. (Storey, 1994; Davidsson et al, 1994).

Table 4.7: Work experience

| Experience | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------------------|------------------|----------------|----------------------|---------------------------|
| 0 -5 years | 78 | 38.8 | 39.2 | 39.2 |
| 5 - 10 years | 90 | 44.8 | 45.2 | 84.4 |
| 10 - 20 years | 30 | 14.9 | 15.1 | 98.5 |
| over 20 years | 3 | 1.5 | 1.5 | 100 |
| Total | 201 | 100 | | |

4.4 Factor Analysis

Factor analysis looks at the internal-correlations among data to come up with internally consistent surrogates of the variable (Mugenda, 2010). These correlations helped the researcher to formulate an interpretation of the components (variables). In this study 0.7 was adopted as the minimum level for item loading. A higher value shows a more reliable generated scale. Cooper and Schindler (2008) have indicated 0.7 to be an acceptable loading. Other researchers suggest that 0.4 is the minimum level for item loading. Costello and Osborne (2005) argues that if an item has loading of less than 0.4 it may either not be related to the other items or suggests an additional factor that should be explored.

A total of 43 indicators that used for collection of the pilot data were used in the factor analysis. See Appendix six for factor loadings table showing the retained and expunged indicators. 4 items were expunged and were not used for further data collection and analysis. These were found not to be related to any variable as they did not load any of the variables with factor loadings above 0.7. Five items

retained were found to load component one highest with loadings above 0.7. These items were suggested to measure the variable entrepreneurship growth.

Seven of the retained indicators were found to load component three highest with all factor loadings above 0.7. These indicators were suggested to measure the variable skills and experience. Seven of the retained indicators were found to load component four highest with all factor loadings above 0.7. These indicators were suggested to measure the variable technology transfer.

Another seven of the retained items were found to load component five highest with loadings above 0.7. These items were suggested to measure the variable Enterprise/business linkages. Seven of the retained indicators were found to load component six highest with all factor loadings above 0.7. These indicators were suggested to measure the variable Capital.

4.5 Reliability Test

This is used to test the internal consistency of questions in the study. According to Sekaran, (2006) a reliability coefficient of 0.7 is acceptable, while Velicer and Fava (1998) recommend magnitudes of between 0.40 and 0.70. To measure the internal consistency of the items, a Cronbach's Alpha test was used (Tavakol & Dennick, 2011). Table 4.8 shows the results of the reliability test for all the variables. All the six variables were found to have acceptable internal consistency of the respective items suggested. All the variables had Cronbach's Alpha values greater than 0.7 and were accepted for data collection and further analysis. Entrepreneurship growth had 0.87, Role modelling 0.851, Skills and experience

0.85, Technology transfer 0.744, Enterprise/business linkages 0.821 and Capital had 0.878 Chronbach's alpha value.

Table 4.8: Reliability test

| Variable | Cronbach's Alpha | No. of items | Comments |
|------------------------------|-------------------------|---------------------|-----------------|
| Entrepreneurship growth | 0.867 | 6 | Accepted |
| Role modelling | 0.851 | 6 | Accepted |
| Skills and experience | 0.85 | 7 | Accepted |
| Technology transfer | 0.744 | 7 | Accepted |
| Enterprise/business linkages | 0.821 | 8 | Accepted |
| Capital | 0.878 | 7 | Accepted |

4.6 Univariate Analysis

This section focuses on the univariate study of each variable. The second section of the questionnaire had questions covering indicators of each variable under study. The dependent variable Entrepreneurship growth and the independent variables role of modelling, skills and experience, technology transfer enterprise/business linkages and capital. This section focuses on descriptive analysis of each of the variable's indicators.

4.6.1 Entrepreneurship growth

This was the dependent variable under study. In order to study entrepreneurship growth among employees who were not yet in business the researcher studied their entrepreneurial intention. This was done because researchers have established that to understand what leads a person into starting a new venture which in the long run leads to entrepreneurship growth, the focus should be on entrepreneurial intentions which are the best predictor of entrepreneurial behaviour (Bird, 1988; Krueger, Reilly, & Carsrud, 2000). This was done by using

indicators such as identification of attractive business ideas through exposure acquired in the FDI, desire for more satisfaction and independence and a person's attitude towards entrepreneurship.

Realization of opportunities

The researcher used indicators such as identification of attractive business ideas through exposure acquired in the FDI to establish if there was entrepreneurship growth through entrepreneurial intention. The data collected indicated that 72.6% strongly agreed that they realized there were many business opportunities. 26.4% agreed, and 1% was unsure (see Table 4.9).

Majority of the respondents i.e. 99% agreed that the exposure had made them recognize business opportunities. Only 1% did not agree (two respondents). These findings concur with those of Wenjun, Lu, and Millington (2011). In their study they identified the importance of opportunity identification and stated it as the very first step in entrepreneurship. Timmons & Spinelli, (2009) define entrepreneurship as a process integrating opportunity, resources and people (the entrepreneurs). Thus, realization of the presence of opportunities enhances entrepreneurial intention which has empirically been proved as the best and unbiased predictor of entrepreneurial behaviour. Studies by Luthje and Franke (2003); Kristiansen and Indarti (2004) show that individuals who perceive the existence of business opportunities are more likely to make the decision to start new businesses. On the other hand, if the individuals have negative perception regarding the environment of the business, they may not decide to start their own business.

Satisfaction through entrepreneurship

Desire for personal satisfaction was an indicator under measure. The research data indicated that 75.6% strongly agreed, 23.4% agreed, 0.5% unsure, while 0.5% disagreed that being an entrepreneur would give them more satisfaction than being in employment. Further, the researcher found out that majority of the respondents agreed that having their own businesses would give them more satisfaction than being employed by someone else. Only 1% did not agree (Table 4.9). These findings are in line with other studies that identify a positive relationship between job satisfaction and entrepreneurial intentions. Dissatisfied employees are more likely to consider entrepreneurship as an alternative career avenue, which enhances their entrepreneurial intention (Brockhaus, 1980; Cromie & Hayes, 1991; Henley, 2007). Self-satisfaction can trigger the desire to start a business venture (Hisrich & Brush, 1986). These findings therefore indicate that employees in the FDI's have a high entrepreneurial intention brought about by their dissatisfaction in employment.

Importance of independence at work

Majority of the respondents (70.4%) strongly agreed that independence at work was very important to them. On the other hand 26.1 agreed. 1.5 was unsure while 2% disagreed (see Table 4.9). Majority of the respondents i.e. 96.5% agreed while only 3.5% did not agree that their own independence as employees was not of importance to them.

These findings indicate that majority of the respondents valued their independence which is as per other studies which described desire for independence as a

frequently mentioned factor to new business start-up (Douglas & Fitzsimmons, 2005). Individuals who possess high need for independence seek for careers with more freedom (Lee & Wong, 2004), while Wilson, et al. (2004) in their study resolved that respondents who portrayed desire to get into business were motivated by factors such as desire for independence.

As supported by other studies e.g. Douglas and Shepherd (2000) in their study that proposes that an individual's attitude towards their independence is based on the desire to "be my own boss", these findings depict the extent of entrepreneurial intentions identified in the employees. The desire to be independent leads them to want to start their own business ventures.

Self-efficacy

To measure if the foreign employers played any role in promoting the employees' self-efficacy the findings were as follows: 53.8% strongly agreed, 39.7% agreed, 3.0% unsure and 3.5% disagreed. This is as shown on Table 4.9. The findings further show that majority of the respondents agreed that exposure to their employees helped them gain self- efficacy.

This is in line with other studies which have revealed that entrepreneurial intentions can also be influenced by self-efficacy factors (Bandura, 1986; Chen, Greene, & Crick, 1998). Prior studies have identified self-efficacy as a key contributor to entrepreneurial intentions, either directly or indirectly through influencing perceived feasibility (Krueger, 1993; Krueger et al., 2000).

Plan to get into business

In order to identify if the local employees had acquired entrepreneurial intention through their interaction with the FDIs, they were asked if they planned to start their own businesses in the next 3-5 years. The responses were as follows: 38.4% strongly agreed, 25.3% agreed, 33.8% were unsure while 2.5% disagreed (Table 4.9).

The findings further indicate that the majority of the respondents 63.7% had plans to start their own businesses in the future. 36.3% did not agree that they planned to get into business. This shows that 63.7% had acquired entrepreneurial intentions and thus were willing to start up their own business ventures, thus increasing entrepreneurship growth. The findings concurred with several studies that have shown that intentions are the best predictors of any planned behaviour (Krueger et al., 2000). According to Ajzen's theory of planned behaviour (Ajzen, 1991), the stronger the motivations to perform a certain behaviour, the more likely it will be performed. With this in mind, the findings indicate that the respondents are likely to start their own businesses in the future and thus enhance entrepreneurship growth.

Table 4.9: Entrepreneurship growth

| Indicator | disagree | not sure | agree | strongly agree | Total |
|---|-----------------|---------------------|--------------|---------------------------|--------------|
| I now realize there are many opportunities out there | 0 | 1 | 26.4 | 72.6 | 100 |
| Being an entrepreneur would give me more satisfaction than employment | 0.5 | 0.5 | 23.4 | 75.6 | 100 |
| Independence at work is important to me | 2 | 1.5 | 26.1 | 70.4 | 100 |
| I plan to start my own business in the next 3 - 5 years | 2.5 | 33.8 | 25.3 | 38.4 | 100 |
| My employer played a role in my self-belief (efficacy) | 3.5 | 3 | 39.7 | 53.8 | 100 |

Normal Q-Q Plot of Entrepreneurship growth

The plotted points as seen on Figure 4.1 follow closely to the straight line, except for the three upper points, which are considered outliers. The researcher chose to retain the outliers. The Q-Q plot indicated that the observed values of Entrepreneurship Growth followed a normal distribution and therefore justified the use of a multiple linear regression model. For the research interpretations and conclusions to be valid in a research report, the data should meet all tests of normality.

Normal Q-Q Plot of ENTREPRENEURSHIP GROWTH

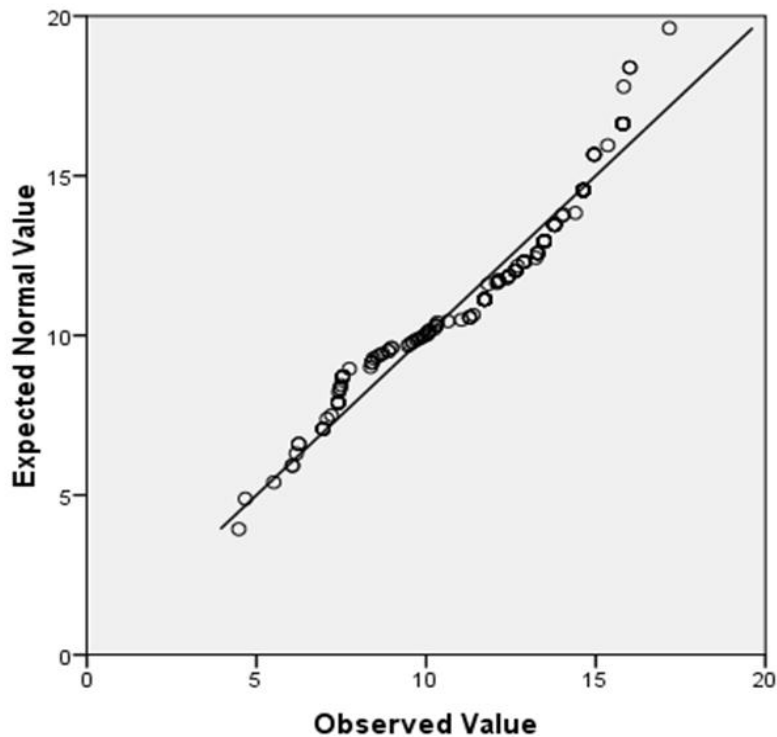


Figure 4.1: Q-Q Plot

4.6.2 Role modeling

This study sought to ascertain the level of entrepreneurial intent enhanced by foreign investors through role modelling. Particularly the study focused on self-efficacy, learning and retention, reproduction and motivation as indicators to establish if the foreign investors act as role models to their employees. This is in accordance with Bandura (1977) who states that a role model enables a person to go through a four-stage cognitive process: attention, retention, reproduction and finally, motivation, a process which enhances the degree of attraction towards becoming an entrepreneur (Shapero & Sokol, 1982).

Studies by Van Auken et al (2006) indicate that role models may enhance the desire to become an entrepreneur. This may in turn positively influence entrepreneurial intention and ultimately entrepreneurial activity (Krueger et al., 2000). Niels et al. (2010) also found out that entrepreneurial role models may inspire and motivate, as well as provide an environment where one can learn by example, thus giving the aspiring entrepreneur confidence that they too can achieve certain goals.

Admiration of employer

Role models fulfil various functions which include learning, provision of motivation and inspiration, which help individuals to define their self-concept (Gibson, 2004). It has long been acknowledged that role models may have a profound influence on career decisions (Krumboltz et al., 1976).

The findings of this study indicated that out of the 201 respondents 54.5% strongly agreed that they admired their employers, 43% agreed, 2% disagreed and 0.5% was not sure. The findings show that a majority (97.5%) of the employees in the FDIs admire their employers. This, as depicted on Table 4.10 shows that majority of the employees (97.5%) agreed that they admired their employers. This brings out the entrepreneurial intention in them because they would strive to be like their employers. However, 2.5% disagreed that they admired their employers. Role models may also enhance the desire to become an entrepreneur and the entrepreneurial self-efficacy of individuals (Van Auken et al., 2006). This may influence entrepreneurial intentions and ultimately entrepreneurial activity

(Krueger et al., 2000). Research shows that individual decisions to engage in a certain behaviour are often influenced by the behaviour and opinions of others (Ajzen, 1991; Akerlof & Kranton, 2000). This also includes the behaviour of initiating a business. This supports the findings of this research which show majority of the respondents admired their employers.

Employers appealing attributes

Through a Likert scale the researcher sought to find out if the employers had any appealing attributes that made them act as role models to their employees thus enhancing entrepreneurial intention. The findings revealed that 60% of the respondents strongly agreed that their employers had appealing attributes, 31.8% agreed, 2% was not sure 5% disagreed, while 1% strongly disagreed (see Table 4.10).

The analysis further showed that the majority of the respondents 91.8% agreed that their employers had appealing attributes, while 8% did not agree. These findings were in line with other studies, like Nauta and Kokaly (2001) whose study showed that entrepreneurial intention can be enhanced by role models. This is acquired through learning by example.

Confidence in developing own products/services

To find out if the respondents had learnt and retained what they learnt from their employers, the researcher asked if the employees had confidence they would develop their own products/services. 63.5% strongly agreed, 33% agreed, 2%

were unsure while only 1% strongly disagree (Table 4.10). This implies that the majority 96.5% agreed that through their employers they had acquired enough confidence and would produce their own products/services. Only 3% did not agree.

According to studies role models may inspire potential entrepreneurs, especially when they work closely for a certain duration of time. Potential entrepreneurs are likely to have role models with higher qualifications than they have and those whose business operations are successful (Niels et al, 2011). The success of the role models inspires and motivates the employees and they gain the confidence that they too can develop similar products/services of their own if they got into business.

Confidence in coping with challenges

Self-efficacy is acquired through role models. To identify any self- efficacy among the employees the researcher used the Likert scale to establish if they had confidence in themselves. 70% strongly agreed, 25.5% agreed, 2.5% were unsure while 1.5% disagreed. The majority of the respondents 95.5% agreed that exposure to their employers had given them confidence in coping with challenges, while 4% did not agree (Table 4.10)

Van Auken et al (2006a) found out that role models make people confident that they too can achieve a certain goal in the process increasing self-efficacy. Likewise, these employees in the FDIs perceive the behaviour of the role model

(employer) as compatible with their own and gives the feeling that 'I can do anything she/ he can'.

Willingness to reproduction and motivation

Reproduction and motivation are indicators that were being measured to establish if the foreign employers act as role models to their local employees. To establish this, the researcher got the following responses; 61.3% strongly agreed, 33.7% agreed, 1% were not sure while 4% disagreed as depicted on Table 4.10. These findings are critical as they show that 95% of the respondents agreed and only 5% did not agree.

This is critical because other researches based on social learning theory show that there should be opportunities to learn from a role model. Role models appear to be an element to increase entrepreneurial intention. This is especially so if the role model is more highly qualified than the user who in this case is the employee. This is because the role model often has a higher hierarchical position (Kram & Isabella, 1985). The observation of and interaction with skilled people encourages learning (Elmore, 1991). Still, Bandura (1997) observes that people may ascribe somebody else's attitudes to themselves if they can identify with that person. In this study the employees ascribe to the employers' attitude to themselves since majority agreed that they admire their employers and would like to copy them.

Table 4.10: Role modelling

| Indicator | strongly disagree | disagree | not sure | agree | strongly agree | Total |
|---|--------------------------|-----------------|-----------------|--------------|-----------------------|--------------|
| | % | % | % | % | % | % |
| I admire my employer | 0 | 2 | 0.5 | 43 | 54.5 | 100 |
| My employer has appealing attributes | 1 | 5 | 2 | 31.8 | 60.2 | 100 |
| I'm confident I can develop my own products/service | 1 | 0.5 | 2 | 33 | 63.5 | 100 |
| I can do what my employer does even better | 0 | 3 | 8.5 | 34 | 54.5 | 100 |
| I'm confident I can cope with unexpected challenges | 0 | 1.5 | 2.5 | 25.5 | 70.5 | 100 |
| I admire my employer and would like to be as successful | 0 | 4 | 1 | 33.7 | 61.3 | 100 |

4.6.3 Skills and experience

Training

From the findings, 51% of the respondents strongly agreed that they have received sufficient training since they started working in the company. 46.5% agreed 2% unsure while only 0.5% did not agree. The above findings have been presented on Table 4.11. The findings further show that 97.5% agreed and only 2.5% did not agree that they had acquired relevant training that would enable them start their own business ventures.

Research shows that there is a significant relationship between training and the propensity to become an entrepreneur (Fayolle et al., 2005; Kolvereid & Moen, 1997; Noel, 2001; Varela & Jimenez, 2001). Receiving training in business operations can positively affect entrepreneurial intention. Oosterbeek et al. (2009),

von Graevenitz et al. (2010) and Martinez et al. (2010) show that obtaining training almost doubles the entrepreneurial intention in 38 countries. This supports the findings that since the employees (97.5%) agreed they had received training, their entrepreneurial intention was heightened.

Acquisition of skills

The researcher sought to establish if the employees in the foreign owned establishments had acquired the relevant technical skills which would enable them to produce similar products/services. The findings showed that 58.7% strongly agreed, 39.8% agreed, 0.5% was unsure while 1.5% disagreed as shown on Table 4.11. These findings show that the majority of the respondents, 98% agreed and only 2% did not agree that they had acquired relevant technical skills.

Research shows that believing that one has the required skills produces the biggest difference in intent to start a business among adults (Fini et al, 2009). Several studies assert that individuals might be more inclined to pursue entrepreneurship if they believe they possess the necessary skills to function (Chen, et al., 1998; Golden & Cooke, 1998, Boyd & Vozikis, 1994; Krueger & Brazeal, 1994). Due to the technical skills acquired, these respondents are likely to start their own businesses in the future, showing that their entrepreneurial intentions had been developed.

Retention of skills

In order to identify if the employees had acquired procedural skills which was an indicator under measure the researcher gathered the following data. 61.2% strongly agreed that using the skills acquired they would train others, 36.8%

agreed, 1% was unsure and 1% disagreed. This shows that the majority, 98% agreed that they had retained the acquired skills and would apply them in a different environment, and only 2% did not agree (see Table 4.11).

Acquisition of skills is important for enhancing entrepreneurial intention as stated above. However, the presence of the skill alone without knowledge of how to utilize it is not of much benefit in the entrepreneurial process.

Acquisition of management skills

The researcher asked various questions in order to verify if the local employees had acquired management skills from the FDIs. 51.2% strongly agreed that they had acquired management skills while only 1% disagreed as shown on Table 4.11. The researcher also sought to establish if the employees would use the acquired managerial skills to manage their own employees. 63.2% strongly agreed, 34.3% agreed, 1% was unsure and 1.5% disagreed.

These findings are closely supported by findings by Chandler and Jensen (1992) in their study. They found out that competence in executing skills was necessary for effectiveness in entrepreneurship. Further Chen, et al. (1998) in their research identified managerial factors such as, ability to supervise, influence and lead; maximize results in allocating resources; and keep the organizations running smoothly as being applicable to successful entrepreneurs. Chandler and Jensen (1992), in their findings noted that these skills are critical in the entrepreneurial process which is a measure of entrepreneurial intention. They further found out that if an individual believes that he or she is not capable of settling on a core

purpose, it is unlikely that they will feel motivated to initiate a startup venture. The research findings here imply that these employees' intentions had been developed due to managerial skills acquired in the FDIIs and that there is a high possibility of them to initiate their own ventures.

Effectiveness of experience in running own business

The researcher sought to verify if the experience acquired by the respondents in the FDIIs was enough to help them run their own businesses. 63.7% strongly agreed, 33.3% agreed, .5% was unsure and 2.5% disagree as shown on Table 4.11. The findings further show that 97 % agreed but 3% did not agreed that the experience they had acquired was not sufficient for them to start their own businesses.

Since majority of the respondents agreed that experience acquired was enough for them to run their own businesses, the researcher verified from other studies that relevant experience does enhance entrepreneurial intentions. First Hamidi et al. (2008) stated that one strong positive predictor of entrepreneurial intention is whether a person has some earlier exposure to entrepreneurship. This is explained by the increased knowledge and experience of an individual like in the case of an employee, as it is easier for the person to assess the possibilities of starting a firm (Delmar and Davidsson, 2000). On the other hand Mazzarol et al., (1999) report that previous working experience was also found to affect entrepreneurial intention while Kolvereid (1996) reports that the types of experience also affect entrepreneurial intention. With this literature in mind, the researcher suggests that the respondents with entrepreneurial experience have higher entrepreneurial intention than those without such experience.

Table 4.11: Skills and experience

| Indicator | strongly disagree | disagree | not sure | Agree | strongly agree | Total |
|--|--------------------------|-----------------|-----------------|--------------|-----------------------|--------------|
| | % | % | % | % | % | % |
| I have undergone sufficient training since I started working | .5 | 1.5 | .5 | 46.5 | 51.0 | 100.0 |
| I have acquired skills that can help me provide similar products/ service | 0 | 1.5 | .5 | 39.3 | 58.7 | 100.0 |
| Using skills acquired I can train others to use similar production processes | 0 | 1.0 | 1.0 | 36.8 | 61.2 | 100.0 |
| Working with this company has made me acquire different management skills | 0 | 1.0 | .5 | 47.3 | 51.2 | 100.0 |
| With these skills acquired I would now be able to manage my own employees | 0 | 1.5 | 1.0 | 34.3 | 63.2 | 100.0 |
| I understand the organization procedures like purchasing, storage, sales etc. | 0 | 4.5 | 2.0 | 35.3 | 58.2 | 100.0 |
| The experience acquired here is enough to help me run my own business effectively. | 0 | 2.5 | .5 | 33.3 | 63.7 | 100.0 |

4.6.4 Technology transfer

Acquisition of new technology and knowledge

In order to establish if the respondents acquired new technology which is an exogenous factor that enhances entrepreneurial intention, the researcher found out that 41% strongly agreed that they had acquired new technology. 53.2% agreed, while 4.5% disagreed, refer to Table 4.12.

Utilization of technology is also determined on the knowledge one has on it. The researcher also found that 96% of the respondents had acquired the relevant knowledge and 4% had not. Individual skills and abilities accumulated by the employees are some predictors of entrepreneurial activities (Wiklund & Shepherd, 2003) thus triggering entrepreneurial intentions. Knowledge, as Shane (1999) defines, it is the stock of information generated through one's prior experiences influence entrepreneurial intentions.

Simplicity of utilization

For one to utilize technology effectively it must be simple in utilization. The research findings indicated that 36.3% strongly agreed that the technology was simple in utilization, 55.2% agreed, 6% was not sure and 2.5% did not agree as indicated on Table 4.12. These findings clearly indicate that majority of the respondents 91.5% agreed while only 8.5% disagreed.

This is in support by other studies like Feldman and Bolino (2000) who found that individuals with a strong conviction on the simplicity of the technology had a high desire for innovation. These respondents were motivated to become self-employed because of the opportunity to use these skills and be creative as well as to capitalize on a good business idea.

Application of the technology

The ability to apply technology would enhance entrepreneurial intention. The researcher sought to verify if the respondents would apply this technology

elsewhere. The findings were as follows: 56.8% strongly agreed, 34.2% agreed, 6% was not sure and 3% disagreed. As seen on Table 4.12, the majority of the respondents 91% agreed that they would easily apply this technology elsewhere while only 9% disagreed.

Some literature supports these findings. Like Gao et al. (2006) argue that it is the transfer of technology from the source of knowledge to commercial market that determines if an entrepreneur makes full use of the technology. This belief that one can apply the acquired technology is an essential component of self-efficacy which is a major influence on entrepreneurial intention (Bandura, 1977a, 1977b, 1982). With this, the researcher confirms that the respondents who agreed they can apply the technology acquired were likely to venture into their own businesses in the future.

Innovation

Due to the new technology acquired, 67.7% of the respondents strongly agreed that they had become more innovative, 29.3% agreed, 2.5% was not sure while 0.5% disagreed. The findings further show that majority of the respondents, 97% agreed that they had become more innovative after being exposed to this technology and only 3% disagree as shown on Table 4.12.

The researcher also identified that innovation relates to an individual's desire to accomplish something new. Innovation is often referred to as a primary motive behind entrepreneurial intention and has been shown to have a significant effect on venture performance (Mueller & Thomas, 2001). This supports the findings and verifies that the respondents who agreed to having become more innovative

were likely to start their own business ventures in the future due to the entrepreneurial intention instilled into them.

Availability of the technology locally

The research findings indicated that 33% of the respondents strongly agreed the technology was locally available. However, 42% agreed 16% was unsure and 9% disagreed that it was available locally.

These findings also show that 75% of the employees agreed that the technology can be found locally while 25% disagreed (Table 4.12). If the technology is not found locally then it means that it will not act as influence to entrepreneurial intention but since the majority agreed that it can be found locally then it can act as an influence.

Use of the new technology in their own businesses

The researcher tried to find out if the employees would use the newly acquired technology in their own businesses if they started them. 57.5% agreed, 27% was not sure, 14% disagreed and 1.5% strongly disagreed.

From the findings 57.5% agreed that they can apply the technology in their own businesses and 42.5% disagreed (Table 4.12). The majority agreed and this also depicts self-efficacy since they have confidence in themselves. It is suggested that there should be a strong relationship between the intention to perform a certain behaviour and the actual performance of that behaviour. This shows there is a high likelihood of these employees to perform the behaviour of venture creation.

Table 4.12: Technology transfer

| Indicator | strongly disagree | disagree | not sure | agree | strongly agree | Total |
|--|--------------------------|-----------------|-----------------|--------------|-----------------------|--------------|
| | % | % | % | % | % | % |
| As I have been working here, I have acquired new technology | 0 | 4.5 | .5 | 53.2 | 41.8 | 100.0 |
| I have acquired sufficient knowledge on the technology used here | 0 | 4.0 | 0 | 51.7 | 44.3 | 100.0 |
| This technology is simple in utilization | 0 | 2.5 | 6.0 | 55.2 | 36.3 | 100.0 |
| I can confidently apply that technology elsewhere | 0 | 3.0 | 6.0 | 34.2 | 56.8 | 100.0 |
| I have become more innovative than before | .5 | 1.5 | 1.0 | 29.3 | 67.7 | 100.0 |
| The type of technology, machines and systems used here are available locally | 0 | 9.0 | 16.0 | 42.0 | 33.0 | 100.0 |
| If I started my own business, I would use the same technology I use here | 1.5 | 14.0 | 27.0 | 25.0 | 32.5 | 100.0 |

4.6.5 Enterprise/business linkages

Use of local suppliers and customers

To establish if the FDI uses local firms to supply raw materials or to buy finished products/services the researcher got the following responses. 33.3% strongly agreed, 47.3% agreed, 15.4% was unsure, 6% disagreed and 1% strongly disagreed. This is as indicated on Table 4.13. Further scrutiny of the results indicated that the majority of the employees in the FDIs 80.6% agreed that local firms are suppliers and 19.4% disagreed.

Exposure to the suppliers/customers

In order to establish if the local employees within the FDIs were exposed to the local suppliers and customers the researcher asked questions in that regard. The

findings indicated that 75.5% agreed they directly dealt with the suppliers and customers, 22.5% disagreed while 2% was unsure. This implies that the majority agreed and only 24.5% disagreed.

Employee exposure to business suppliers and customers gives them the knowledge of the required quality and builds their networks which could act as a motivator. They have the motivation that once they engage in business the current suppliers and customers would give them business. This is in agreement with Ehrlich et al., (1994), who identified networking as an integral part of what a start-up entrepreneur must do.

Business and social networks

The findings revealed that 38.3% of the respondents strongly agreed that they had good contacts with other businesses related to the firm they worked for. 40% agreed, 20% disagreed and 0.5% was unsure. Since social network also enhances entrepreneurial intention the research found out that 44.2% of the respondents strongly agreed that they had good social networks. 50% agreed, 3% was unsure and 2% disagreed. It has been established that networks (Kim and Aldrich, 2005; Klyver et al. 2007) and peer groups (Djankov et al. 2006; Falck et al. 2010) influence the decision to become an entrepreneur.

Knowledge of people doing similar businesses

The researcher found out that 39% of the respondents strongly agreed that they know many people doing similar businesses. On the other hand 40% only agreed, 1% was unsure while 20% disagreed. This indicates that the majority, 79% agreed

that they know people doing similar businesses and 21% disagreed this is as seen on Table 4.13.

Research shows that intentions are determined by both internal and external factors. The environment as an external factor is a direct predictor of entrepreneurial intentions (Bird, 1988). Environment is framed as a result of affiliation to groups, organizations and institutions (Saegert & Winkel, 1990; Charness, Rigotti & Rustichini, 2007).

Employer would give them business

Out of the 201 respondents 39.8% strongly agreed that their employers would give them business if they started related businesses. 47.3% agreed, 10.4% was unsure, 1% disagreed and 1.5% strongly disagreed as shown on Table 4.13. The results imply that majority of the respondents 87.1% agreed and 12.9% disagreed. The confidence that their employers would give them business would act as an influence on entrepreneurial intention.

This is as per other studies that have identified social capital as being important in influencing entrepreneurial intention (Lin, 2003). He defines it as capital captured in the form of social relationships. At an individual level social capital focuses on the potential benefits of network relations for the aspiring entrepreneur, which is important for start-up or firm success, (Lin 2003; Davidsson & Honig 2003). Therefore, the respondents who are highly convinced that their current bosses would give them business (if they started their own business ventures), are likely to get into business in the future.

Knowledge of quality requirements

In an attempt to verify if the employees had knowledge of quality requirements within the FDIs, the researcher established that 40.3% of the respondents strongly agreed that they had a good knowledge of quality required by suppliers and end users. 54.2% agreed 2% not sure, 3% disagreed and 0.5% strongly disagreed. The majority, 94.5% agreed and only 5.5% did not agree that they had knowledge of quality requirements by the suppliers and customers (Table 4.13). This prior knowledge on the materials and systems develops technical skills which influence entrepreneurial intention, (Shane, 1999).

Identification of viable business opportunities

The ability to identify business opportunities among the employees was measured and the researcher got these results. 57.9% strongly agreed that due to the network they had acquired with other businesses they were able to identify business opportunities. 34.5% agreed 6.1% was not sure while 1.5% disagreed. This shows that 92.4% agreed while only 7.6% disagreed that they would be able to identify business opportunities (Table 4.13).

Scholars have acknowledged the great relevance of technical skills as important inputs for recognizing entrepreneurial opportunities (Baum, Locke & Smith, 2001). Opportunity identification skill is particularly important for an individual considering the pursuit of an entrepreneurial venture. They must believe that the opportunity that they have identified can serve as a solid foundation upon which to launch a venture (Krueger, 1999). This indicates that respondents with the

ability to identify business opportunities would be more likely to start their own businesses in the future.

Table 4.13: Enterprise linkages

| Indicator | Strongly disagree | disagree | not sure | agree | strongly agree | Total |
|--|-------------------|----------|----------|-------|----------------|-------|
| | % | % | % | % | % | % |
| The firm uses local firms to supply raw materials/ buy their finished products | 1.0 | 3.0 | 15.4 | 47.3 | 33.3 | 100.0 |
| I have dealt directly with these suppliers/customers | 2.0 | 20.5 | 2.0 | 45.5 | 30.0 | 100.0 |
| I have good contacts with other businesses related to this firm | .5 | 19.9 | .5 | 40.8 | 38.3 | 100.0 |
| I have a good social network | 0 | 2.0 | 3.0 | 50.8 | 44.2 | 100.0 |
| I know many people doing similar businesses | 0 | 20.0 | 1.0 | 40.0 | 39.0 | 100.0 |
| My employer would give me business if I started my own business | 1.5 | 1.0 | 10.4 | 47.3 | 39.8 | 100.0 |
| I have a good knowledge of quality requirements by suppliers and end users | .5 | 3.0 | 2.0 | 54.2 | 40.3 | 100.0 |
| Due to the network I have with other businesses, I'm able to identify business opportunities | 0 | 1.5 | 6.1 | 34.5 | 57.9 | 100.0 |

4.6.6 Capital

In order to verify if capital, as an independent variable played a role in enhancing entrepreneurial intentions, the researcher went by other researchers who argue that individuals who perceive business opportunities through accessibility to capital

are more likely to make the decision to start a new business (Mohamed et al., 2009). The findings are discussed below.

Availability of start-up capital

By creating employment the foreign investors usually provide capital for aspiring entrepreneurs. The researcher sought to establish if the respondents had available capital (since they were employed) to enable them start businesses. Out of the 201 respondents 54.3% strongly agreed, 34.7% agreed, 6% not sure and 5% disagreed. This shows that 89% agreed that they had access to capital while only 11% did not agree (Table 4.14). These findings are in line with Luthje and Franke (2003) who say that individuals who have access to capital are more likely to make the decision to start a new business

Savings and credit facilities

Employee's keenness on saving and amount of salaries received is an indicator of their intention to start businesses. The results indicated that 64.4% agreed that they had some form of savings and credit facilities in their place of work. On the other hand 34.7% disagreed and 1% was unsure.

Another indicator to measure their keenness on saving indicated that 67.3% strongly agreed that if they were careful with their salaries they would save enough to help them start their own businesses. 30.7% agreed, 0.5% were unsure, 1% disagreed while 0.5% strongly disagreed as seen on Table 4.14).

As other researchers have identified, financial support is a basic requirement to start a business (Grilo & Thurik, 2005). They argue that financial constraints have a negative impact on the decision to become an entrepreneur. Since majority of the respondents agreed they had the ability to raise enough capital, their entrepreneurial intentions are heightened and they are likely to begin their own businesses in the future.

Other sources of income

The results indicated that 42.1% strongly agreed that they had other sources of income, 37.6% agreed, 19.3% disagreed and 1% strongly disagreed. As per the findings on Table 4.14, majority of the respondents 79.7% agreed that they had other sources of income while only 20.3% disagreed. Capital is necessary for business start-up and when individuals have the confidence they have the ability to raise enough capital their entrepreneurial intention is enhanced.

Possibility of acquiring bank loans

To establish if the respondents had bank accounts the following results were gathered. 88.9% agreed that they operated bank account, while 89% agreed that it was possible for them to acquire a loan from their banks. 1.5% was unsure, and 9.6% disagreed that they operated bank accounts. On the other hand 4% were unsure if it was possible for them to acquire a loan from their banks and 7% disagreed (Table 4.14).

Majority of the respondents agreed that they operated bank accounts (88.9%) and 11.1% disagreed. Access to capital is one of the typical obstacles to the start-up of new businesses. Several empirical studies have concluded that lack of access to capital and credit schemes and constraints of financial systems are regarded by potential entrepreneurs as main hindrances (Marsden, 1992; Steel 1999). This supports the idea that entrepreneurial intentions are raised due to perceived availability of capital, thus the respondents who agreed they had access to sources of finance are likely to start their own businesses in the future.

Table 4.14: Capital

| Indicator | strongly disagree | disagree | not sure | agree | strongly agree | Total |
|--|--------------------------|-----------------|-----------------|--------------|-----------------------|--------------|
| | % | % | % | % | % | % |
| The capital to start a business will be available since I am in employment | 0 | 5.0 | 6.0 | 34.7 | 54.3 | 100.0 |
| I have some form of savings and credit facilities in my place of work | 1.0 | 33.7 | 1.0 | 30.7 | 33.7 | 100.0 |

| | | | | | | |
|---|-----|------|-----|------|------|-------|
| I have other sources of income | 1.0 | 19.3 | 0 | 37.6 | 42.1 | 100.0 |
| If I'm careful with my salary, I can save enough to help me start my own business | .5 | 1.0 | .5 | 30.7 | 67.3 | 100.0 |
| I operate a bank account | 0 | 9.6 | 1.5 | 51.5 | 37.4 | 100.0 |
| It is possible to acquire a loan from my banker | 0 | 7.0 | 4.0 | 50.3 | 38.7 | 100.0 |

4.7 Statistical Modeling

The data used for this part of the analysis was continuous for all variables as a result of computing the total scores from all the indicators of each variable. Computation of scores was possible as the data collected from the indicators was in the ordinal scale. This section will attempt to answer the research questions from analyses done to draw conclusions with statistical significance.

4.7.1 Correlation analysis

The researcher used correlation analysis to determine the relationship between each independent variable and the dependent variable growth. Pearson's correlation coefficient was used for this analysis as the data was continuous.

The strongest relationship observed was between Entrepreneurship Growth and Capital; this relationship was found to be statistically significant at the 0.05 (5%) level of significance ($r = 0.879$, $p\text{-value} = 0.000$). This implies that respondents who agreed or Strongly Agreed that they had access to capital (seed), were more likely to have a higher entrepreneurial intention which leads to entrepreneurship growth. This is because the Pearson product-moment correlation (r) is positive.

This was followed by the relationship between entrepreneurship growth and Technology transfer. It indicated a very strong positive correlation at 0.561. Enterprise Linkages followed at $r = 0.457$ correlating strongly with entrepreneurship growth. All these correlations were positive and statistically significant at 0.05 level of significance; ($+r$, $p\text{-value} < 0.000$) in the two cases.

Entrepreneurship Growth and Technology Transfer, Role Modelling and Acquisition of Skills had a relatively strong correlation which was slightly above

the 0.50 mark. The correlation coefficients were all positive and significant as follows; Entrepreneurship Growth and Technology ($r=0.561$, $p\text{-value} < 0.000$), Entrepreneurship growth and Role Modelling ($r = 0.561$, $p\text{-value} < 0.000$) while Entrepreneurship Growth and Enterprise Linkages had ($r = 0.457$, $p\text{-value} < 0.000$). These were average and all significant from the fact that $p\text{-value} < 0.000$ in all cases.

Table 4.15: Correlations matrix

| | | Entrepreneurship Growth | Role Modelling | Skills & Experience | Technology Transfer | Enterprise Linkages | Capital |
|----------------------------|---------------------|------------------------------------|-----------------------|------------------------------------|--------------------------------|--------------------------------|----------------|
| Entrepreneurship Growth | Pearson Correlation | 1 | | | | | |
| | Sig. (2-tailed) | | | | | | |
| | N | 201 | | | | | |
| Role Modelling | Pearson Correlation | .227** | 1 | | | | |
| | Sig. (2-tailed) | .001 | | | | | |
| | N | 201 | 201 | | | | |
| Skills & Experience | Pearson Correlation | .161* | .570** | 1 | | | |
| | Sig. (2-tailed) | .022 | .000 | | | | |
| | N | 201 | 201 | 201 | | | |
| Technology Transfer | Pearson Correlation | .561** | .419** | .446** | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | .000 | | | |
| | N | 201 | 201 | 201 | 201 | | |
| Enterprise Linkages | Pearson Correlation | .457** | .502** | .617** | .657** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | |
| | N | 201 | 201 | 201 | 201 | 201 | |
| Capital | Pearson Correlation | .879** | .369** | .396** | .705** | .629** | 1 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | |
| | N | 201 | 201 | 201 | 201 | 201 | 201 |

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

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

Further to the correlation analysis, the researcher carried out regression analyses to determine the influence of the independent variables on the dependent variable. This was done. A multicollinearity test was done to determine the viability of using all the independent variables for further regression analysis.

4.7.2 Multicollinearity test

Multicollinearity is a statistical situation where some independent variables in a multiple regression model are highly correlated. When multicollinearity occurs the correlated predictors provide redundant information about the responses (Lauridsen & Mur 2005). It is important to undertake a multicollinearity test to help reduce the variables that measure the same things (Robert, 2007).

In order to identify if there was multicollinearity among the independent variables, a Variance Inflation Factor (VIF) measure was used (see Table 4.16). According to O'Brien (2007), VIFs exceeding 10 are signs of a multicollinearity problem. The measure showed the VIF to range between 2.849 and 9.517. This implies that there was no multicollinearity among the independent variables since the acceptable limits are within 0.1 and 10 (Farrar & Glauber, 1967).

Table 4.16: Multicollinearity

| Variable | VIF |
|--------------------------|------------|
| Role modelling | 6.864 |
| Acquisition of skills | 9.517 |
| Technology transfer | 6.07 |
| Entrepreneurial linkages | 9.233 |
| Capital | 2.849 |

The researcher fitted bivariate least squares regressions models to determine the level of influence that each independent variable has on entrepreneurship growth. The model $Y = \beta_1 + \beta_2 X_2 + e$ was fitted for each independent variable.

4.7.3 Role of Modeling

The researcher plotted the data values of the two variables, role modelling and entrepreneurship growth (which was the dependent variable). The results as shown on scatter plot Fig.4.2 suggest that there is a positive relationship between role modelling and entrepreneurship growth.

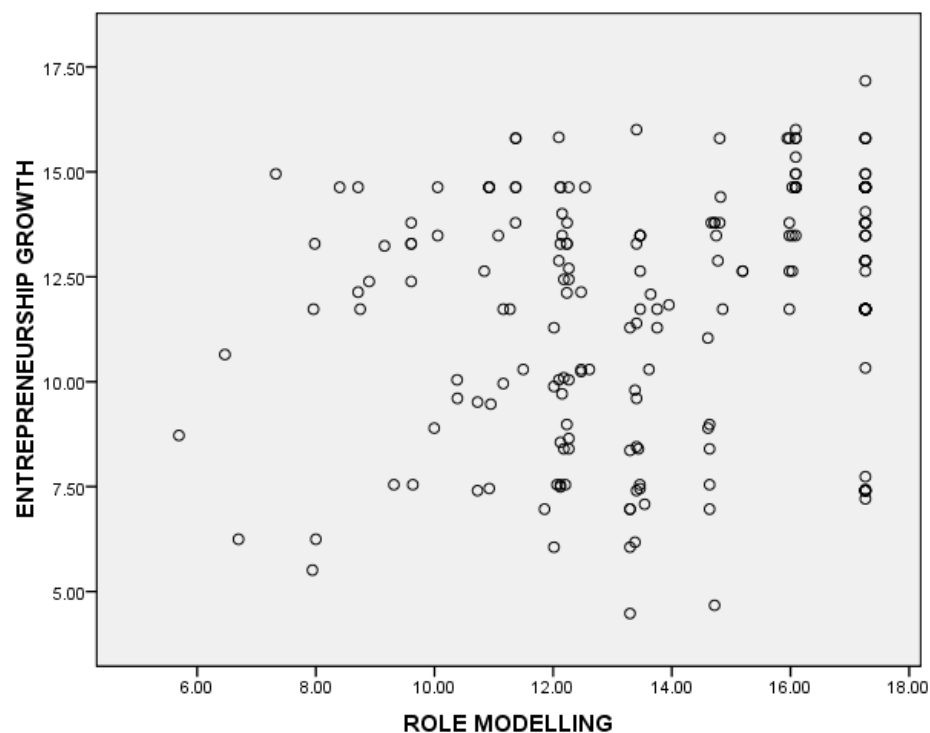


Figure 4.2: Scatter plot of entrepreneurship growth/ role modelling

The researcher used R^2 to test for goodness of fit for the regression. The results on model summary Table 4.17 show that $R^2=0.051$. From this study therefore, the

simple linear model with role modelling as the independent variable explains 5.1% of the variation in the dependent variable entrepreneurship growth.

Table 4.17: Model summary

| Model | R | R Square |
|-------|------|----------|
| 1 | .227 | .051 |

The research used the F-Statistic to test the overall significance of the regression model. To do this, the hypothesis below was used. $H_1: b_1 = 0$ and $H_1: b_1 \neq 0$. Table 4.18 shows that $F_{\text{calculated}} = 10.799$ therefore null hypothesis (H_0) was rejected and the alternative was picked. This implied that the model in use was significantly fit and can be used to make predictions.

Table 4.18: ANOVA

| | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|-----------------|------------|-------------|--------|------|
| Regression | 84.566 | 1 | 84.566 | 10.799 | .001 |
| Residual | 1558.363 | 199 | 7.831 | | |
| Total | 1642.929 | 200 | | | |

The value b_0 is the Y-intercept of the above scatter plot and statistically gives the value of the Entrepreneurship Growth when the effects of Role Modelling are held constant. Thus entrepreneurship growth has a score of 8.669 when role modelling is set to zero. The gradient of the regression line is $b_1 = 0.225$. It can therefore be inferred that for each additional unit change in role modelling, entrepreneurship growth changes by a factor equivalent to 0.225.

When the regression parameters $b_0 = 8.669$ and $b_1 = 0.225$ are inserted into the regression model $y = b_0 + b_1x + e$, the results is; $Y = 8.669 + 0.225 X$. The hypothesis formulated below was used to test if the relationship between Entrepreneurship Growth and Role modelling is statistically significant.

H_0 : Foreign Direct Investors do not act as role models to enhance entrepreneurship growth. ($H_0:b_1=0$)

H_1 : Foreign Direct Investors act as role models to enhance entrepreneurship growth. ($H_0:b_1 \neq 0$)

From Table 4.19 the calculated value of t is 3.286 while the t-critical is 1.972. Since the calculated value of t was greater than the critical value of t, ($t\text{-calc} = 3.286 > t\text{-critical} = 1.972$) the null hypothesis was rejected. This means that $b_1 \neq 0$, that is, there is a statistically significant positive linear relationship between the two variables, entrepreneurship growth and role modelling. Thus from this study, there is statistical evidence that role modelling is useful in enhancing entrepreneurial intention which leads to entrepreneurship growth. An increase in role modelling would lead to an increase in entrepreneurship growth.

Table 4.19: Coefficients

| Variable | Coefficients | Std. Error | T | Sig. |
|-----------------|---------------------|-------------------|----------|-------------|
| (Constant) | 8.669 | 0.967 | 8.967 | 0 |
| Role Modelling | 0.225 | 0.068 | 3.286 | 0.001 |

The scatter plot on figure 4.3 has the line of best fit superimposed, indicating a positive correlation between the two variables since the line has a positive

gradient. The fact that the points are scattered and do not lie very close to the line indicates that the correlation between the two variables is a weak one.

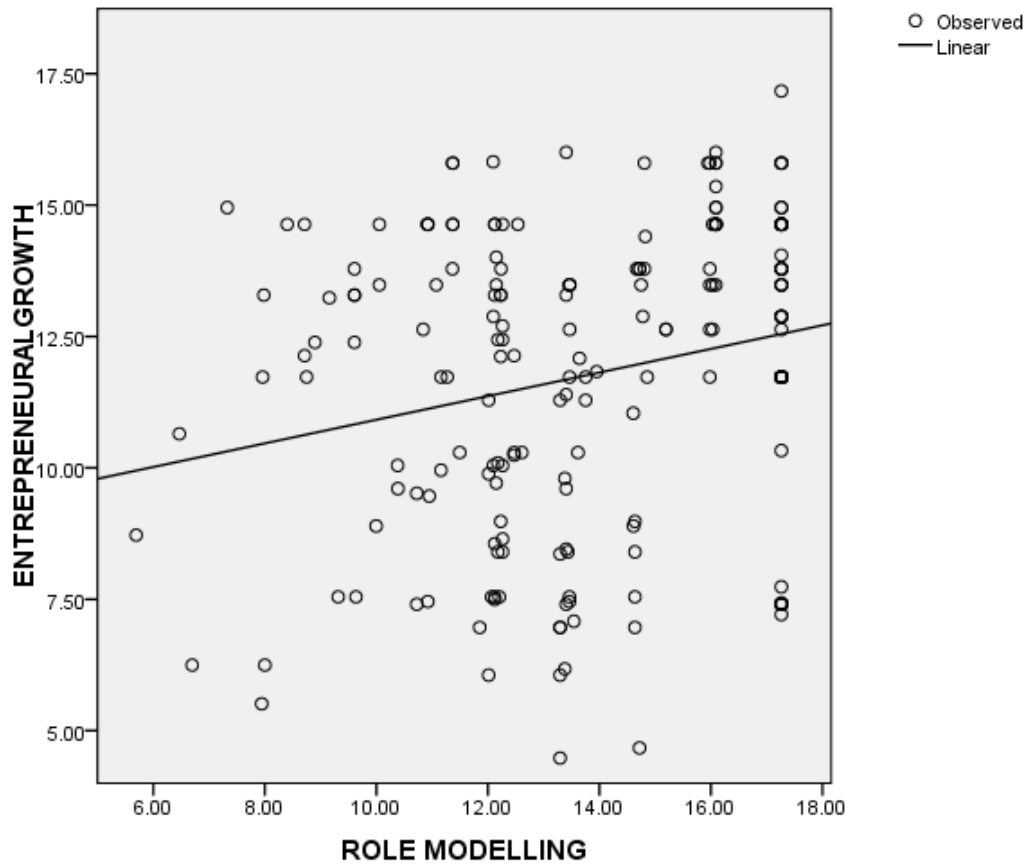


Figure 4.3: Liner scatter plot of entrepreneurship growth/role modelling

4.7.4 Role of modelling considering the moderating variable

The overlay scatterplot (figure 4.4) of Entrepreneurship Growth versus Role modelling and entrepreneurial intension shows a definite intersection of the two lines of best fit. The scatter plot has a visual implication that entrepreneurial intentions have a moderating effect on the relationship between role modelling and entrepreneurial growth.

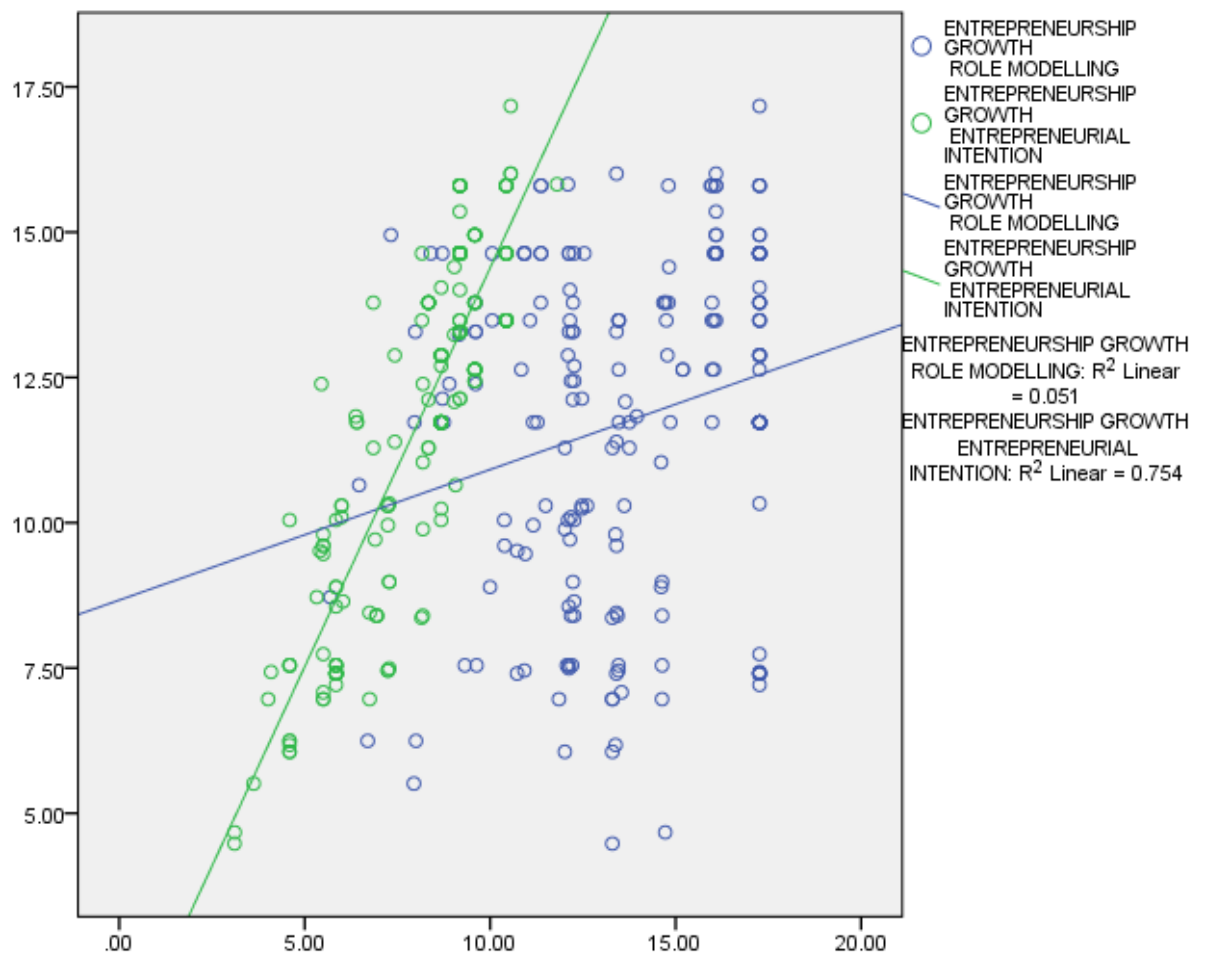


Figure 4.4: Scatter plot of growth/ role modelling and entrepreneurial intention

For further analysis researcher fitted the least squares regressions model $Y = \beta_0 + \beta_1X_1 + \beta_2X_1X_6 + e$ to determine the effect of the moderating variable entrepreneurial intention on the relationship between Role modelling and

entrepreneurship growth. The model summary Table 4.20 gives the value for R-Squared which is 0.74. The regression analysis shows there is a positive joint relationship $R=0.86$ between the dependent variable entrepreneurship growth and the independent variable in the model. $R^2=0.74$ from this study, this shows that the variations linear model variable explains 74% of the variations in entrepreneurship growth. This indicates that the more the employees get exposed to their employees who act as role models the more the entrepreneurship growth.

Table 4.20: Model Summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------------------|-----------------|--------------------------|-----------------------------------|
| .860 ^a | .740 | .738 | 1.46839 |

The ANOVA test on Table 4.21 shows a significant F-statistic of 281.983 at 0.05 level of significance since the significance 0.000 of the F-statistic is less than 0.05. This implies that the model in use was significantly fit and can be used to make predictions. As we reject the null hypothesis $H_0: b_0=b_1=0$ and take the alternative that at least one coefficient of the model is greater than zero.

Table 4.21: ANOVA

| | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 1216.007 | 2 | 608.003 | 281.983 | .000 |
| Residual | 426.922 | 198 | 2.156 | | |
| Total | 1642.929 | 200 | | | |

The coefficients table 4.22 shows that all the estimated coefficients are significant since they have t-statistics with p-values of 0.000 which are all less than zero. The

coefficient of the computed variable role modelling intersection entrepreneurial intention is also significant implying that the variable Entrepreneurial intention has a moderating effect on the variable role modelling.

Table 4.22: Coefficients

| Variable | Coefficients | Std. Error | T | Sig. |
|---|---------------------|-------------------|----------|-------------|
| (Constant) | 11.707 | 0.524 | 22.327 | 0 |
| Role modelling | -0.817 | 0.058 | -14.109 | 0 |
| Role modelling intersection entrepreneurial intention | 0.1 | 0.004 | 22.907 | 0 |

4.7.5 Skills and Experience

The scatter plot of Entrepreneurship Growth versus skills and experience as shown on figure 4.5, points to a linear relationship between the two variables. The relationship is however weak from the fact that the points are sparsely distributed.

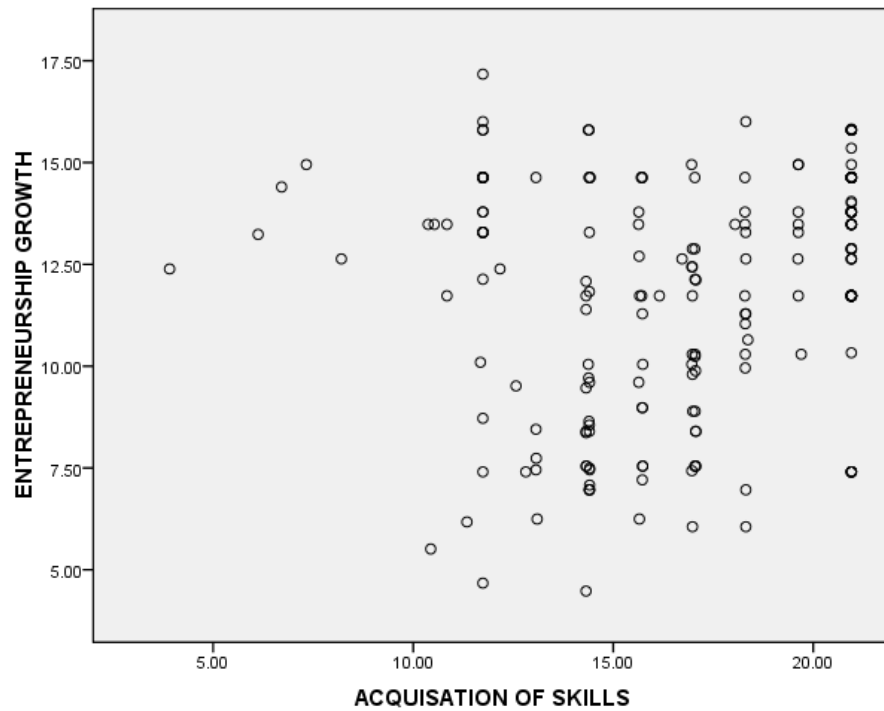


Figure 4.5: Liner scatter plot of entrepreneurship growth/acquisition of skills

The model summary Table 4.23 gives the value for R-Squared which is 0.26. The regression analysis shows there is a relationship $R=0.161$ and $R^2=0.26$. From this study therefore, this shows that the simple linear model with skills and experience as the independent variable explains 26% of the variable in entrepreneurship growth. This statistics gives information on the variation in the dependent variable which is as a result of the independent variable.

Table 4.23: Model summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------------|-----------------|--------------------------|-----------------------------------|
| .161 | .026 | .021 | 2.83566365 |

The ANOVA test on Table 4.24 shows the F-calculated as 5.319 and F-critical = 3.888612. Due to this, the null hypothesis was rejected and the alternative picked. This implied that the model in use was significantly fit and can be used to make predictions.

Table 4.24: ANOVA

| | Sum of Squares | df | Mean Square | F | Sig. |
|-------------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 42.772 | 1 | 42.772 | 5.319 | .022 |
| Residual | 1600.157 | 199 | 8.041 | | |
| Total | 1642.929 | 200 | | | |

From the regression analysis conducted to determine whether skills and experience influence entrepreneurship growth the results were $b_0 = 9.724$ and $b_1 = 0.122$ as shown on table 4.25. The value b_0 is the Y-intercept of the scatter plot fig 4.4 and statistically gives the value of entrepreneurship growth when the effects of skills and experience are held constant. Thus entrepreneurship growth has a score of 9.724 when skills and experience is set to zero.

It can therefore be inferred that for each additional unit change in skills and experience, entrepreneurship growth changes by a factor equivalent to 0.122. In order to test the hypothesis formulated to test the relationship between entrepreneurship growth and skills and experience, the regression model $y = b_0 + b_1x + e$ was used. The regression parameters $b_0 = 9.724$ and $b_1 = 0.122$ were inserted into the model and the result was $Y = 9.724 + 0.122X$.

H_0 : Skills acquired in the foreign investments do not have an influence on entrepreneurship growth. ($H_0: b_1=0$)

6. H_1 : Skills acquired in the foreign investments have an influence on entrepreneurship growth. ($H_1: b_1 \neq 0$)

As indicated on Table 4.22 the calculated value of t is 2.306 while the t -critical is 1.972. Since ($t\text{-calc} = 2.306 > t\text{-critical} = 1.972$) the null hypothesis was rejected. The alternative was taken which means that $b_1 \neq 0$, meaning there is a statistically significant linear relationship between entrepreneurship growth and skills and experience. From this study, there is statistical evidence that skills and experience are useful in enhancing entrepreneurial intention which leads to entrepreneurship growth.

Table 4.25: Coefficients

| Variable | Coefficients | Std. Error | t | Sig. |
|-----------------------|---------------------|-------------------|----------|-------------|
| (Constant) | 9.724 | 0.913 | 10.645 | 0 |
| Skills And Experience | 0.122 | 0.053 | 2.306 | 0.022 |

The scatter plot on figure 4.6 has the line of best fit superimposed, indicating a positive correlation between the two variables since the line has a positive gradient. The gradient of the regression line is $b_1 = 0.122$. This implies that as employees acquire more skills and experience in the FDIs the more their entrepreneurial intention develops and therefore the more entrepreneurship growth is expected.

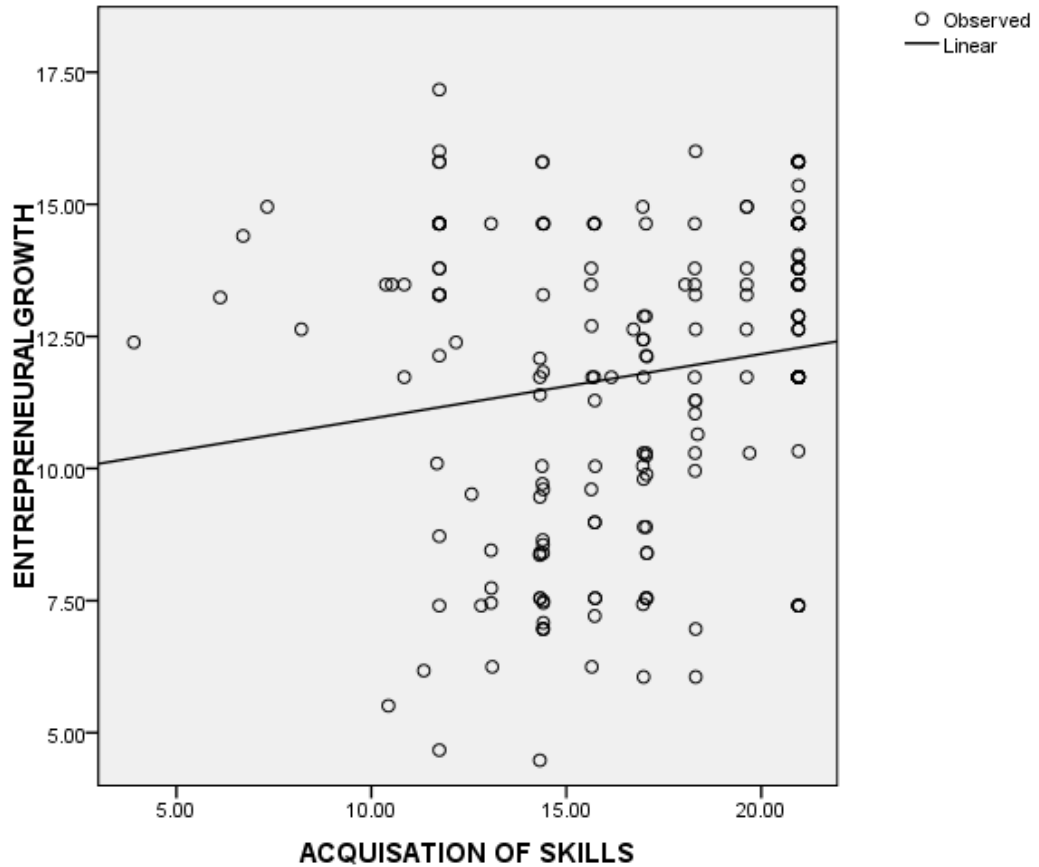


Figure 4.6: Liner scatter plot of entrepreneurship growth/skills and experience

4.7.6 Skills considering the moderating variable

The overlay scatterplot (figure 4.7) of Entrepreneurship Growth versus acquisition of skills and entrepreneurial intension shows a clear intersection of the two lines of best fit. The scatter plot has a visual implication that entrepreneurial intentions have a moderating effect on the relationship between acquisition of skills and entrepreneurial growth.

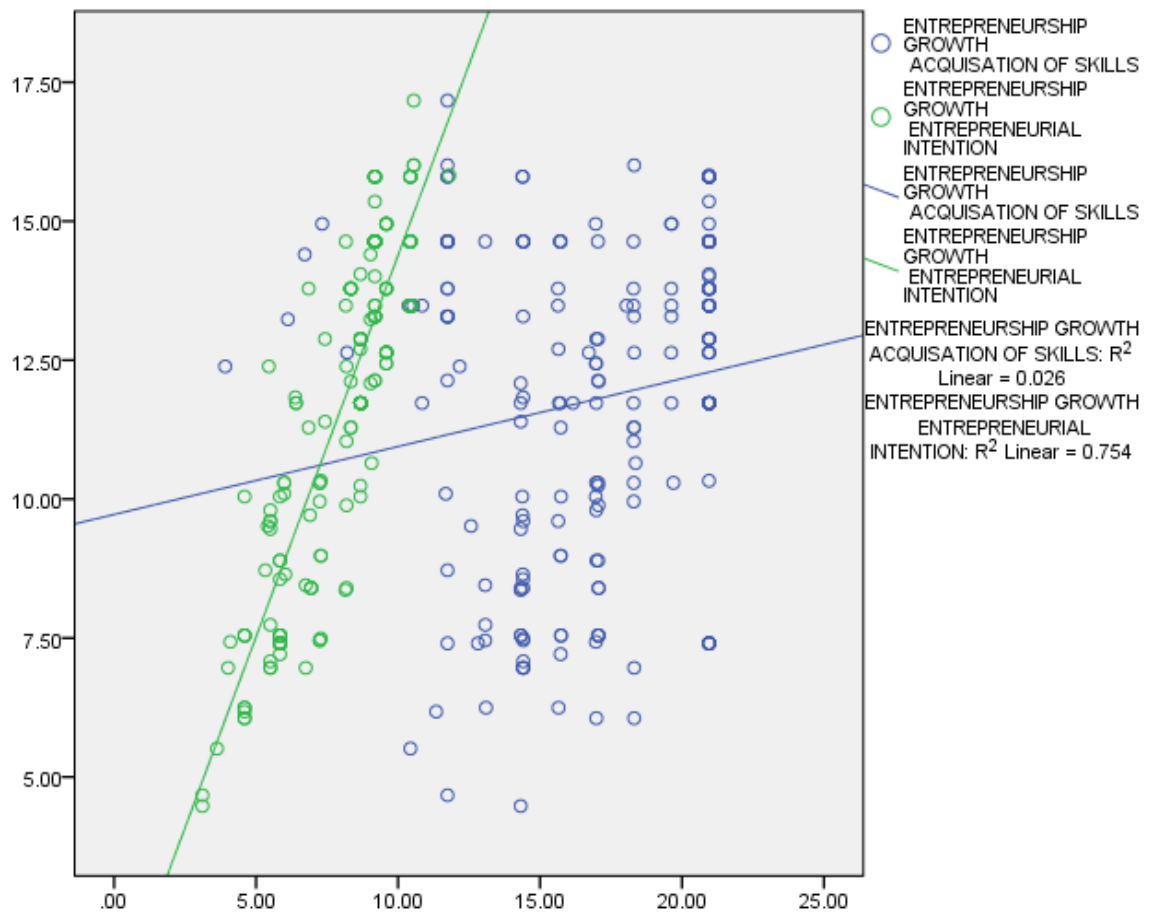


Figure 4.7: Scatter plot of growth/skills and entrepreneurial intention

For further analysis researcher fitted the least squares regressions model $Y = \beta_0 + \beta_1X_1 + \beta_2X_1X_6 + e$ to determine the effect of the moderating variable entrepreneurial intension on the relationship between Acquisition of skills and Entrepreneurial growth.

The model summary Table 4.26 gives the value for R-Squared which is 0.739. The regression analysis shows there is a positive joint relationship $R=0.86$ between the dependent variable entrepreneurial growth and the independent variables in the model. $R^2=0.737$ from this study, this shows that the variations linear model variable explains 73.7% of the variations in entrepreneurship growth.

Table 4.26: Summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|----------|-----------------|--------------------------|-----------------------------------|
| .860 | .739 | .737 | 1.47040 |

The ANOVA test on Table 4.7 shows a significant F-statistic of 280.944 at 0.05 level of significance since the significance 0.000 of the F-statistic is less than 0.05. This implies that the model in use was significantly fit and can be used to make predictions. As we reject the null hypothesis $H_0: b_0=b_1=0$ and take the alternative that at least one coefficient of the model is greater than zero.

Table 4.27: ANOVA

| | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 1214.840 | 2 | 607.420 | 280.944 | .000 |
| Residual | 428.089 | 198 | 2.162 | | |
| Total | 1642.929 | 200 | | | |

The coefficients table 4.28 shows that all the estimated coefficients are significant since they have t-statistics with p-values of 0.000 which are all less than 0.5. The coefficient of the computed variable acquisition of skills intersection entrepreneurial intention is also significant implying that the variable Entrepreneurial intention has a moderating effect on the variable acquisition of skills.

Table 4.28: Coefficients

| Variable | Coefficients | Std. Error | T | Sig. |
|--|---------------------|-------------------|----------|-------------|
| (constant) | 13.039 | 0.495 | 26.363 | 0 |
| Acquisition of skills | -0.786 | 0.048 | -16.469 | 0 |
| Acquisition of skills intersection entrepreneurial intention | 0.087 | 0.004 | 23.283 | 0 |

4.7.7 Technology transfer

The researcher plotted the data values of the two variables, technology transfer and entrepreneurship growth (which was the dependent variable). The results as shown on scatter plot Fig.4.8 suggest that there is a strong positive linear relationship between technology transfer and entrepreneurship growth. This implies that the more the employees are exposed to technology employed in the FDIs the more they develop entrepreneurial intention leading to entrepreneurship growth.

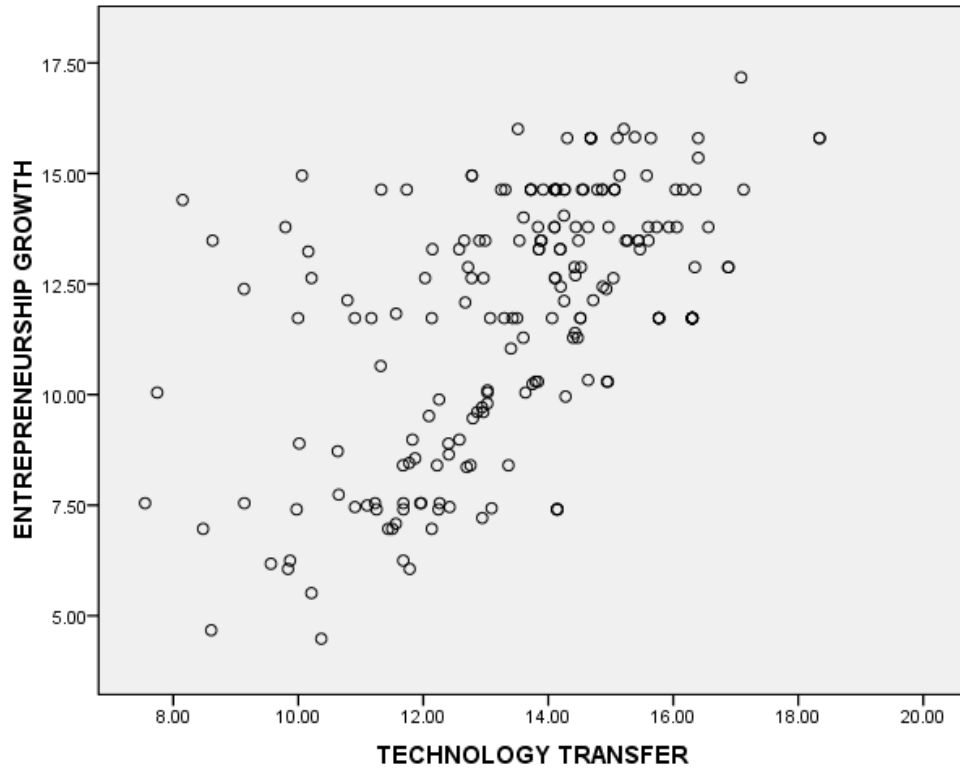


Figure 4.8: Scatter plot of entrepreneurship growth/technology transfer

The model summary Table 4.29 shows a strong correlation between entrepreneurship growth and technology transfer. The value $R^2=0.315$. From this it can be concluded that the simple linear model with technology transfer as the independent variable explains 31.5% of the dependent variable entrepreneurship growth. It explains the variation in the dependent variable which is as a result of the independent variable.

Table 4.29: Model summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|------|----------|-------------------|----------------------------|
| .561 | .315 | .311 | 2.37821 |

The research used the F-Statistic to test the overall significance of the regression model Table 4.30. To do this, the hypothesis $H_1: b_1 = 0$ and $H_1: b_1 \neq 0$ were used. The null hypothesis (H_0) was rejected ($F\text{-calculated} > F\text{-critical}$) and the alternative was picked. This implied that the model $Y = b_0 + b_1X_1 + e$ used is fit and can be used to make predictions.

Table 4.30: ANOVA

| | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 517.406 | 1 | 517.406 | 91.481 | 0 |
| Residual | 1125.52 | 199 | 5.656 | | |
| Total | 1642.93 | 200 | | | |

The coefficients Table 4.31 gives the results of the regression model ($Y = b_0 + b_1X + e$). The (Constant) represents b_0 (1.391) which is the value of the dependent variable (Y) when the independent variable (X) is set to zero. On the other hand, b_1 (0.769) is the slope of the regression line and it represents the amount that the dependent variable (Y) will change for each unit change in the independent variable (X).

Therefore $Y = 1.391 + 0.769X$. The Y-intercept is interpreted as the average Entrepreneurship Growth score when we hold constant the effects of technology transfer. Although there is evidence of a relationship between the two variables, a test was carried out to test if this relationship was statistically significant. This was done by use of the null and alternative hypothesis, $H_0: b_1 = 0$ and $H_1: b_1 \neq 0$ respectively.

As indicated on Table 4.31 $t\text{-calc} = 9.565$, while $t\text{-critical}$ is 1.972 (with 0.05 as alpha level of significance and 199 as the degree of freedom). Hence $t\text{-calc} 9.565 > t\text{-critical} 1.972$, so the null hypothesis ($H_0: b_1 = 0$) was rejected and the alternative ($H_1: b_1 \neq 0$) was accepted meaning that there is a statistically significant linear relationship between entrepreneurship growth and technology transfer. There is statistical evidence that technology transfer is useful for predicting entrepreneurial intention which leads to entrepreneurship growth.

Table 4.31: Coefficients

| Variable | Coefficients | Std. Error | T | Sig. |
|---------------------|---------------------|-------------------|----------|-------------|
| (Constant) | 1.391 | 1.099 | 1.266 | 0.207 |
| Technology Transfer | 0.769 | 0.08 | 9.565 | 0 |

The scatter plot on Figure 4.9 indicates a positive correlation between entrepreneurship and technology transfer since the line has a positive gradient. The slope is given as 0.769 (Table 4.17), it tells us that each additional score on Entrepreneurship Growth is associated with a 0.769 increase on the Technology Transfer scale.

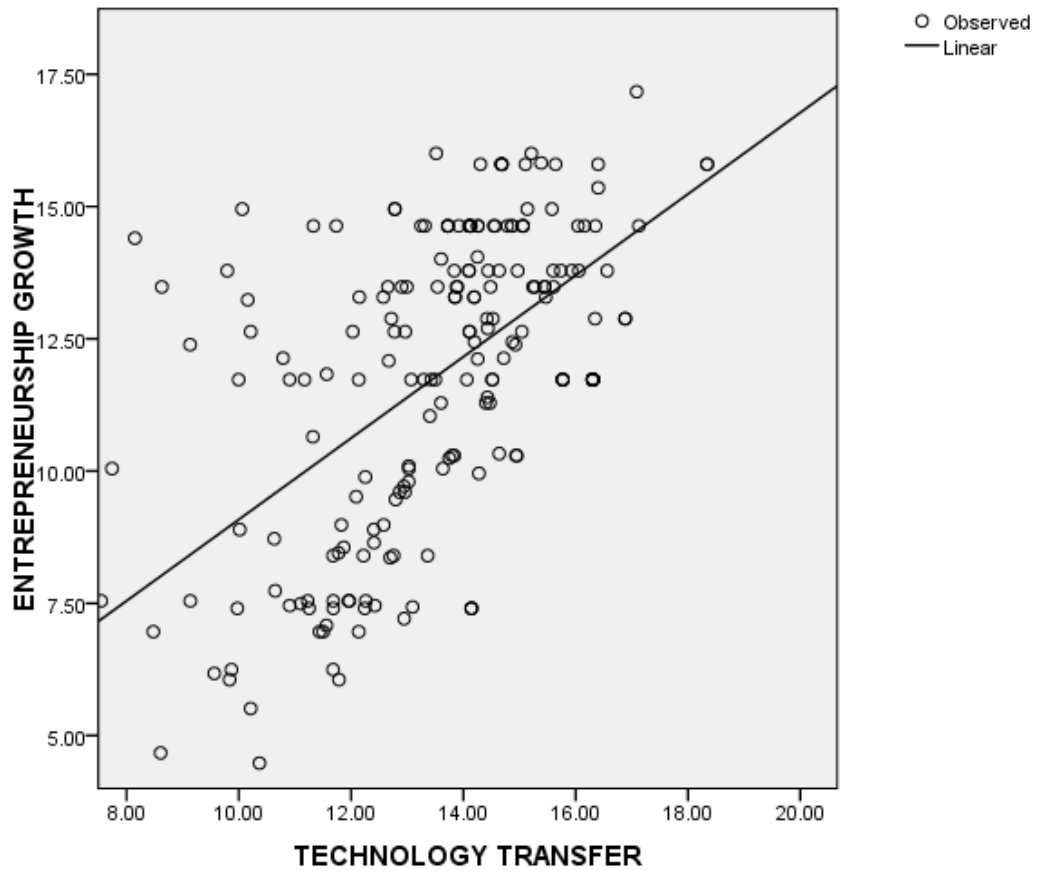


Figure 4.9: Liner scatter plot of entrepreneurship growth/technology transfer

4.7.8 Technology transfer considering moderating variable

The overlay scatterplot (figure 4.10) of Entrepreneurship Growth versus Technology transfer and entrepreneurial intension shows diverging lines of best fit with an intersection at the fourth quadrat. The scatter plot has a visual implication that entrepreneurial intentions have a moderating effect on the relationship between technology transfer and entrepreneurial growth.

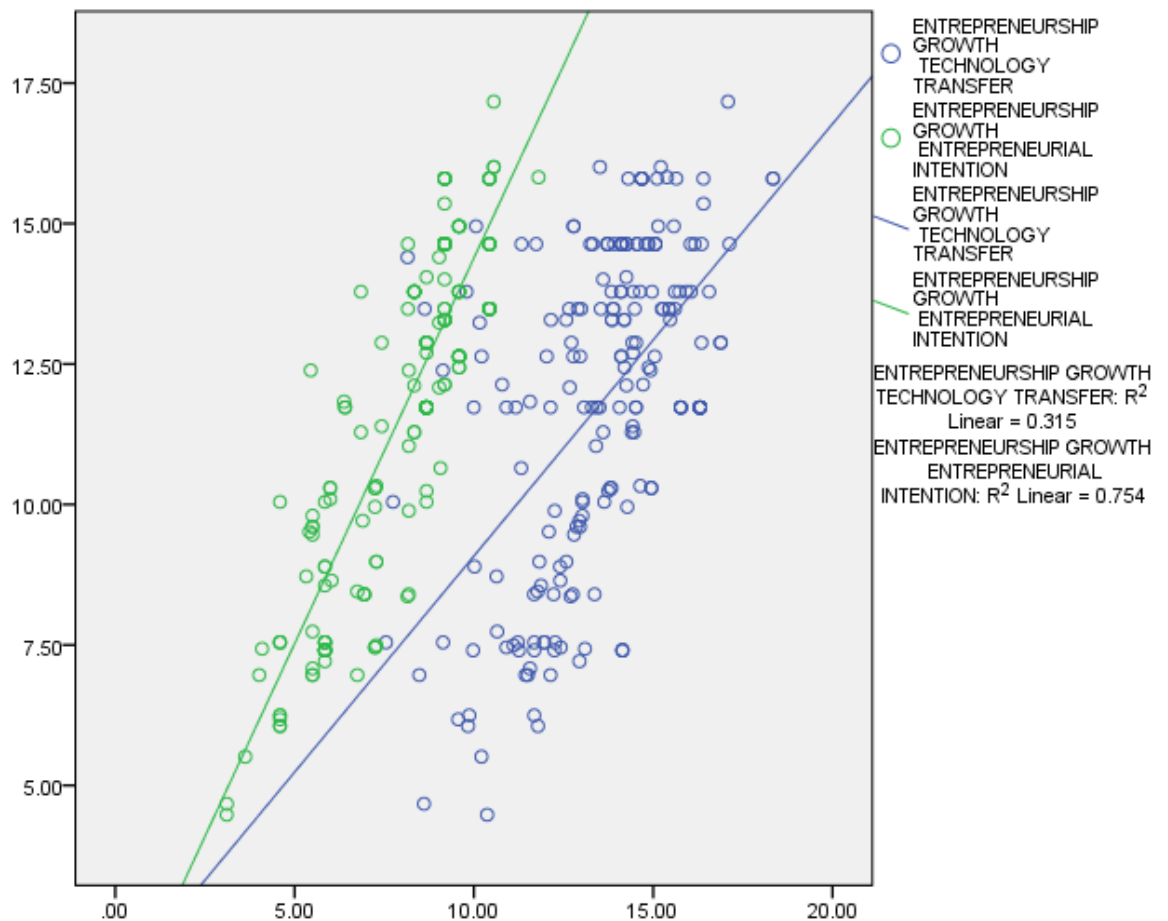


Figure 4.10: Scatter plot of growth/ technology transfer and entrepreneurial intention

For further analysis researcher fitted the least squares regressions model $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_1 X_6 + e$ to determine the effect of the moderating variable entrepreneurial intension on the relationship between technology transfer and Entrepreneurial growth.

The model summary Table 4.32 gives the value for R-Squared which is 0.759.

The regression analysis shows there is a positive joint relationship $R=0.871$ between the dependent variable entrepreneurial growth and the independent

variables in the model. $R^2=0.759$ from this study, this shows that the variations linear model variable explains 75.9% of the variations in entrepreneurship growth.

Table 4.32: Model Summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|----------|-----------------|--------------------------|-----------------------------------|
| .871 | .759 | .756 | 1.41477 |

The ANOVA test on Table shows a significant F-statistic at 0.05 level of significance since the significance 0.000 of the F-statistic is less than 0.05. This implies that the model in use was significantly fit and can be used to make predictions. As we reject the null hypothesis $H_0: b_0=b_1=0$ and take the alternative that at least one coefficient of the model is greater than zero.

Table 4.33: ANOVA

| | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 1246.615 | 2 | 623.308 | 311.407 | .000 |
| Residual | 396.314 | 198 | 2.002 | | |
| Total | 1642.929 | 200 | | | |

The coefficients table 4.34 shows that all the estimated coefficients are significant since they have t-statistics with p-values of 0.000 which are all less than zero. The coefficient of the computed variable technology transfer intersection entrepreneurial intention is also significant implying that the variable Entrepreneurial intention has a moderating effect on the relationship between entrepreneurial growth and the variable technology transfer.

Table 4.34: Coefficients

| Variable | Coefficients | Std. Error | t | Sig. |
|---|--------------|------------|--------|------|
| (constant) | 8.454 | 0.751 | 11.254 | 0 |
| technology transfer | -0.558 | 0.084 | -6.611 | 0 |
| technology transfer intersection entrepreneurial intention | 0.098 | 0.005 | 19.087 | 0 |

4.7.9 Enterprise Linkages

The scatter plot Fig.4.11 implies that there is a positive relationship between entrepreneurship growth and enterprise/business linkages. This implies that the relationship is positive. That is, the more employees get exposed to linkages/businesses associated with the FDIs, the more their entrepreneurial intention develops leading to entrepreneurship growth.

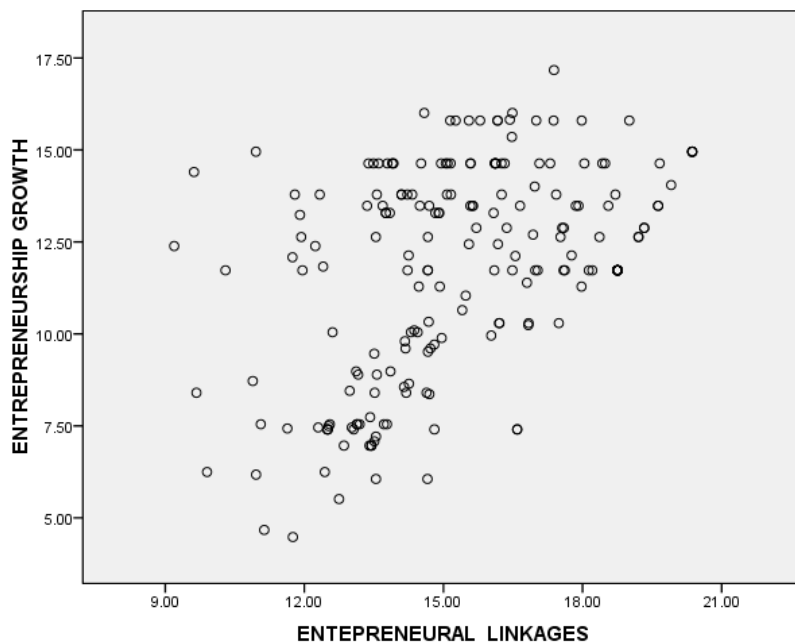


Figure 4.11: Scatter plot of entrepreneurship growth/enterprise/business linkages

The regression analysis conducted (Table 4.37) shows a strong relationship with $R=0.457$ while $R^2=0.209$. This pointed out that 20.9% of corresponding change in entrepreneurship growth with an increase of one unit of enterprise/business linkages.

Table 4.35: Model summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|----------|-----------------|--------------------------|-----------------------------------|
| .457 | .209 | .205 | 2.55628 |

The ANOVA table 4.36 shows that significance of the f statistic was less than zero (.000). Due to this, the null hypothesis $\beta_1=0$ was rejected and the alternative hypothesis $\beta_1 \neq 0$ was taken. This implied that the model $y = b_0 + b_1x + e$ was significantly fit.

Table 4.36: ANOVA

| | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 342.554 | 1 | 342.554 | 52.422 | .000 |
| Residual | 1300.375 | 199 | 6.535 | | |
| Total | 1642.929 | 200 | | | |

Using the regression model ($Y = b_0 + b_1X + e$) to establish the correlation coefficient the results on table 4.37 were as follows: $b_0=(3.548)$ which is the value of the dependent variable (Y) when the independent variable (X) is set to zero and $b_1=(0.538)$ which is the slope of the regression line and it represents the amount that the dependent variable (Y) will change for each unit change in the independent variable (X). These parameters were inserted into the model $Y=3.548+0.538X$ in order to test the hypothesis:

H₀: Enterprise linkages availed by the Foreign Direct Investors have no effect on entrepreneurship growth. (H₀:b₁=0)

H₁: Enterprise linkages availed by the Foreign Direct Investors have an effect on entrepreneurship growth. (H₁:b₁ ≠ 0)

The calculations on Table 4.37 show the calculated t was 7.240 while the t critical is 1.972. This means t-calc (7.240) >t-critical (1.972). Therefore the null hypothesis was rejected and the alternative taken meaning that there is a statistically significant linear relationship between entrepreneurship growth and enterprise/business linkages, H₁:b₁ ≠ 0.

This made the researcher conclude that there is statistical evidence that business linkages are useful in enhancing entrepreneurial intention which leads to entrepreneurship growth.

Table 4.37: Coefficients

| Variable | Unstandardized Coefficients | Std. Error | t | Sig. |
|---------------------|------------------------------------|-------------------|----------|-------------|
| (Constant) | 3.548 | 1.151 | 3.083 | 0.002 |
| Enterprise Linkages | 0.538 | 0.074 | 7.24 | 0 |

A scatter plot as shown on Fig. 4.12 with the line of best fit superimposed indicates there is a positive correlation between the two variables. The line rises as one move further from the point zero. The fact that the points closely follow the line of best fit points out that the correlation between the two variables is a strong one

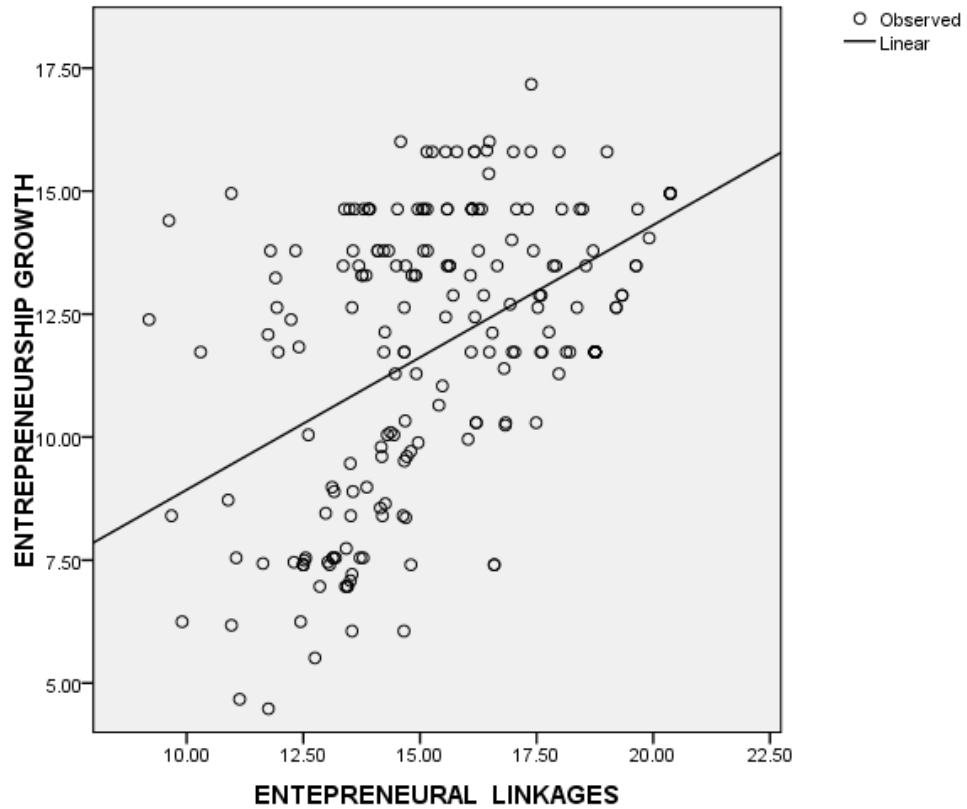


Figure 4.12: Scatter linear plot of entrepreneurship growth/enterprise/business linkages

4.7.10 Enterprise linkages considering the moderating variable

The overlay scatterplot (figure 4.13) of Entrepreneurship Growth versus Enterprise/business linkages and entrepreneurial intension shows a definite intersection of the two lines of best fit. The scatter plot has a visual implication that entrepreneurial intentions have a moderating effect on the relationship between Enterprise/business linkages and entrepreneurial growth.

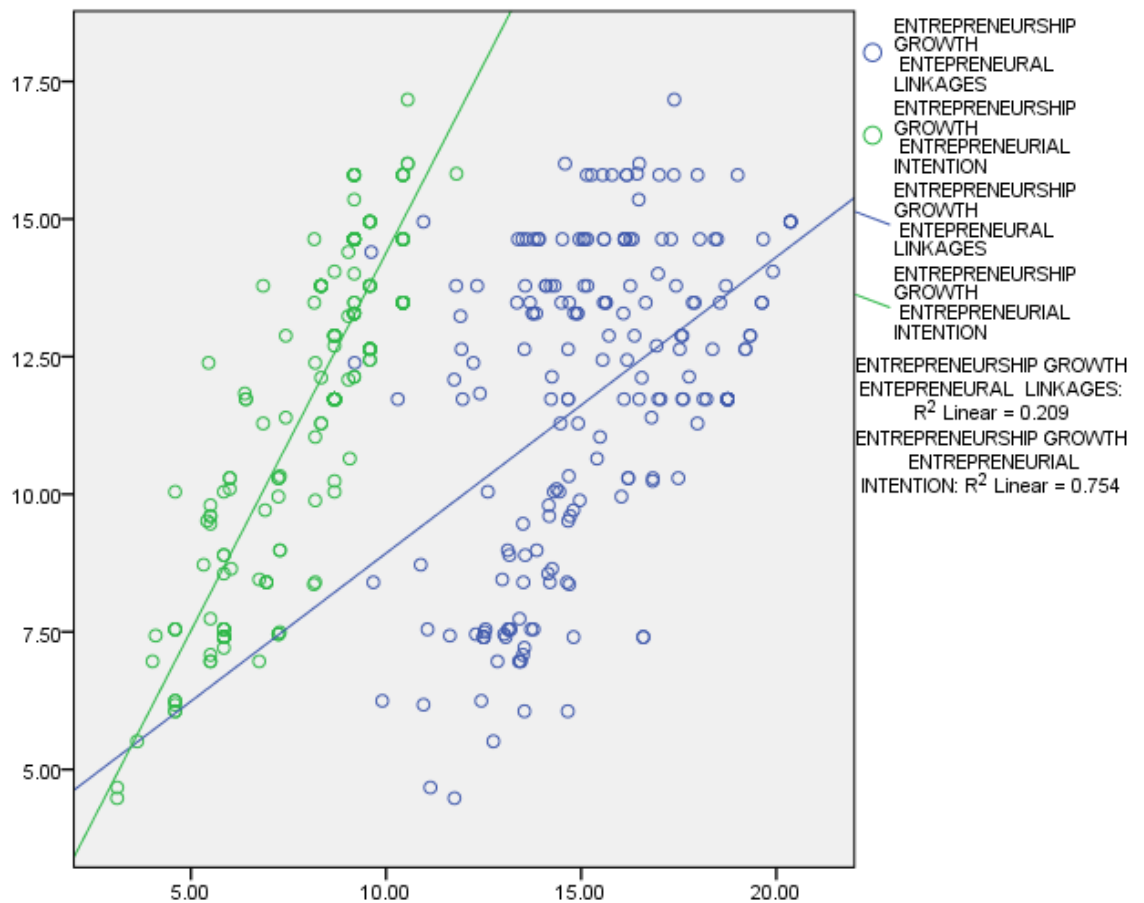


Figure 4.13: Scatter plot of growth/ enterprise linkages and entrepreneurial intention

For further analysis researcher fitted the least squares regressions model $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_1 X_6 + e$ to determine the effect of the moderating variable entrepreneurial intension on the relationship between Enterprise/business linkages and Entrepreneurial growth.

The model summary Table 4.38 gives the value for R-Squared which is 0.735. The regression analysis shows there is a positive joint relationship $R=0.85$ between the dependent variable entrepreneurial growth and the independent variables in the model. $R^2=0.735$ from this study, this shows that the variations linear model variable explains 73.5% of the variations in entrepreneurship growth.

Table 4.38: Model Summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|----------|-----------------|--------------------------|-----------------------------------|
| .858 | .735 | .733 | 1.48187 |

The ANOVA test on Table 4.39 shows a significant F-statistic at 0.05 level of significance since the significance 0.000 of the F-statistic is less than 0.05. This implies that the model in use was significantly fit and can be used to make predictions. As we reject the null hypothesis $H_0: b_0=b_1=0$ and take the alternative that at least one coefficient of the model is greater than zero.

Table 4.39:ANOVA

| | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 1208.133 | 2 | 604.066 | 275.083 | .000 |
| Residual | 434.796 | 198 | 2.196 | | |
| Total | 1642.929 | 200 | | | |

The coefficients table 4.40 shows that all the estimated coefficients are significant since they have t-statistics with p-values of 0.000 which are all less than zero. The coefficient of the computed variable entrepreneurial linkages intersection entrepreneurial intention is also significant implying that the variable Entrepreneurial intention has a moderating effect on the relationship between entrepreneurial growth and the entrepreneurial linkages.

Table 4.40: Coefficients

| Variable | coefficients | Std. Error | T | Sig. |
|---|---------------------|-------------------|----------|-------------|
| (constant) | 11.583 | 0.78 | 14.842 | 0 |
| Entrepreneurial linkages | -0.768 | 0.079 | -9.762 | 0 |
| Entrepreneurial linkages intersection entrepreneurial intention | 0.095 | 0.005 | 19.854 | 0 |

4.7.11 Capital

The scatter plot Fig.4.14 suggests a positive relationship between entrepreneurship growth and availability of capital. This implies that the higher the capital the higher the entrepreneurial intention and thus the higher the entrepreneurship growth.

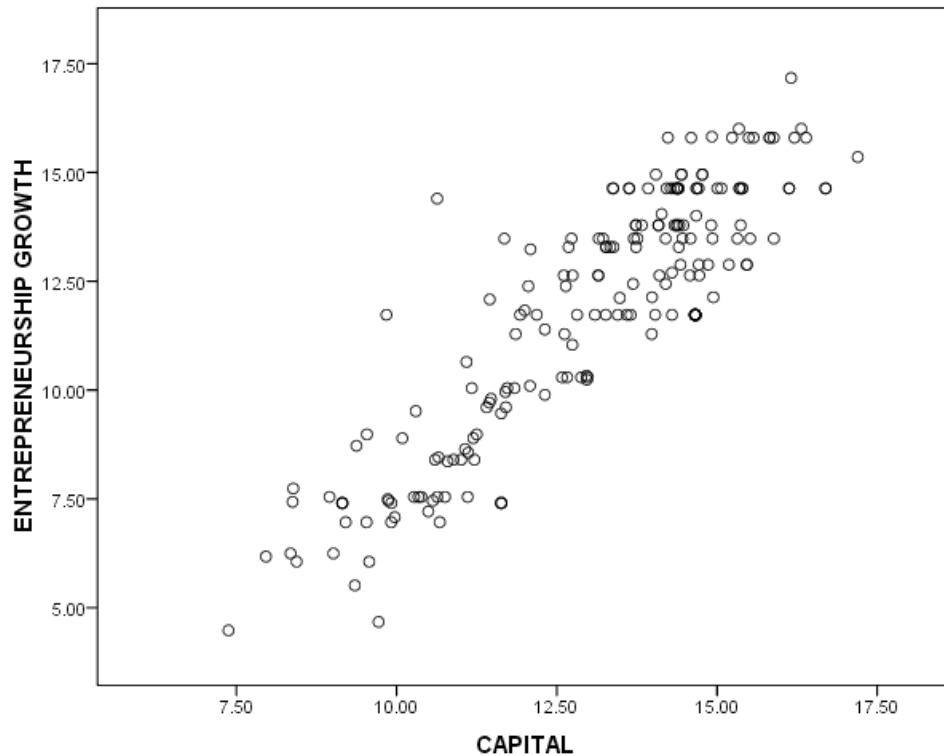


Figure 4.14: Scatter plot for entrepreneurship growth/capital

An F-Statistic was used to test the overall significance of the regression model. To do this, the hypothesis $H_0: b_1 = 0$ and $H_1: b_1 \neq 0$ was used. Table 4.42 shows that $F_{\text{calculated}} > F_{\text{Critical}}$ therefore null hypothesis (H_0) was rejected and the alternative was picked. This implied that the model in use was significantly fit and can be used to make predictions.

Table 4.41: ANOVA

| | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 1269.009 | 1 | 1269.009 | 675.366 | .000 |
| Residual | 373.920 | 199 | 1.879 | | |
| Total | 1642.929 | 200 | | | |

The regression parameters of the regression model ($Y = b_0 + b_1X + e$) are $b_1 = 1.189$ and $b_0 = -3.739$ thus $Y = -3.739 + 1.189X$ from Table 4.43. In this case, the (Constant) represents b_0 and is the Y-intercept of the above scatter plot. On the other hand, b_1 is the slope of the regression line and it represents the amount that entrepreneurship growth (Y) will change for each unit change in the capital (X).

The hypotheses formulated earlier were used to test if the relationship between Entrepreneurship Growth and Capital is statistically significant.

H_0 : Capital raised in the Foreign Direct Investments has no effect on entrepreneurship growth. ($H_0: b_1 = 0$)

H_1 : Capital raised in the Foreign Direct Investments has an effect on entrepreneurship growth. ($H_0: b_1 \neq 0$)

From table 4.42 the calculated value of t is 25.988 while the t-critical is 1.972. Therefore, $t\text{-calc} = 25.988 > t\text{-critical} = 1.972$. With these findings, the null hypothesis was rejected. This means that $b_1 \neq 0$, that is, there is a statistically significant linear relationship between the two variables, entrepreneurship growth and capital. From this study, there is statistical evidence that availability of capital is useful in enhancing entrepreneurial intention which leads to entrepreneurship growth.

Table 4.42: Coefficients

| Variable | Coefficients | Std. Error | T | Sig. |
|------------|--------------|------------|--------|------|
| (Constant) | -3.738 | 0.605 | -6.18 | 0 |
| Capital | 1.189 | 0.046 | 25.988 | 0 |

The scatter plot on Fig 4.15 indicates that there is a positive correlation between the two variables since the line has a positive gradient. The gradient of the regression line is $b_1 = 1.189$. This implies that as availability of capital increases so does entrepreneurial intention leading to entrepreneurship growth.

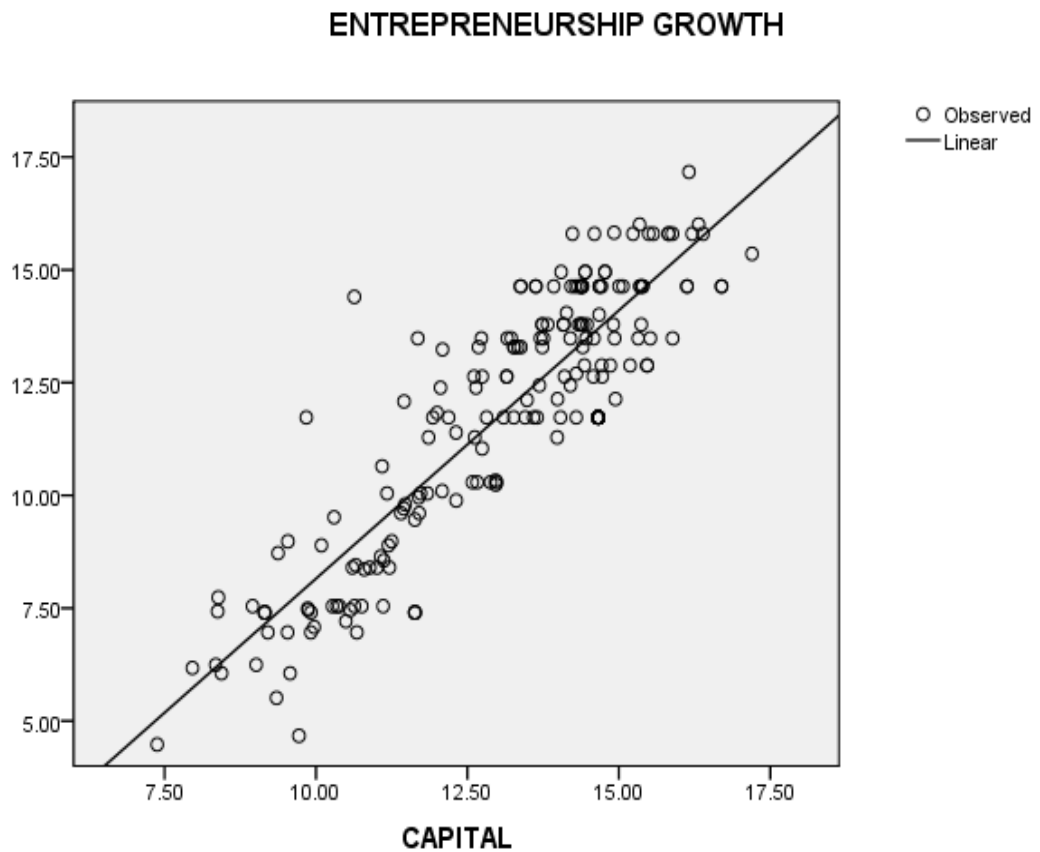


Figure 4.15: Scatter linear plot of entrepreneurship growth/capital

4.7.12 Capital, considering the moderating variable

The overlay scatterplot (figure 4.16) of Entrepreneurship Growth versus Capital and entrepreneurial intention does not show a definite intersection of the two lines of best fit. The lines are seen to be parallel to each other. The scatter plot has a visual implication that entrepreneurial intentions have no moderating effect on the relationship between Capital and entrepreneurial growth.

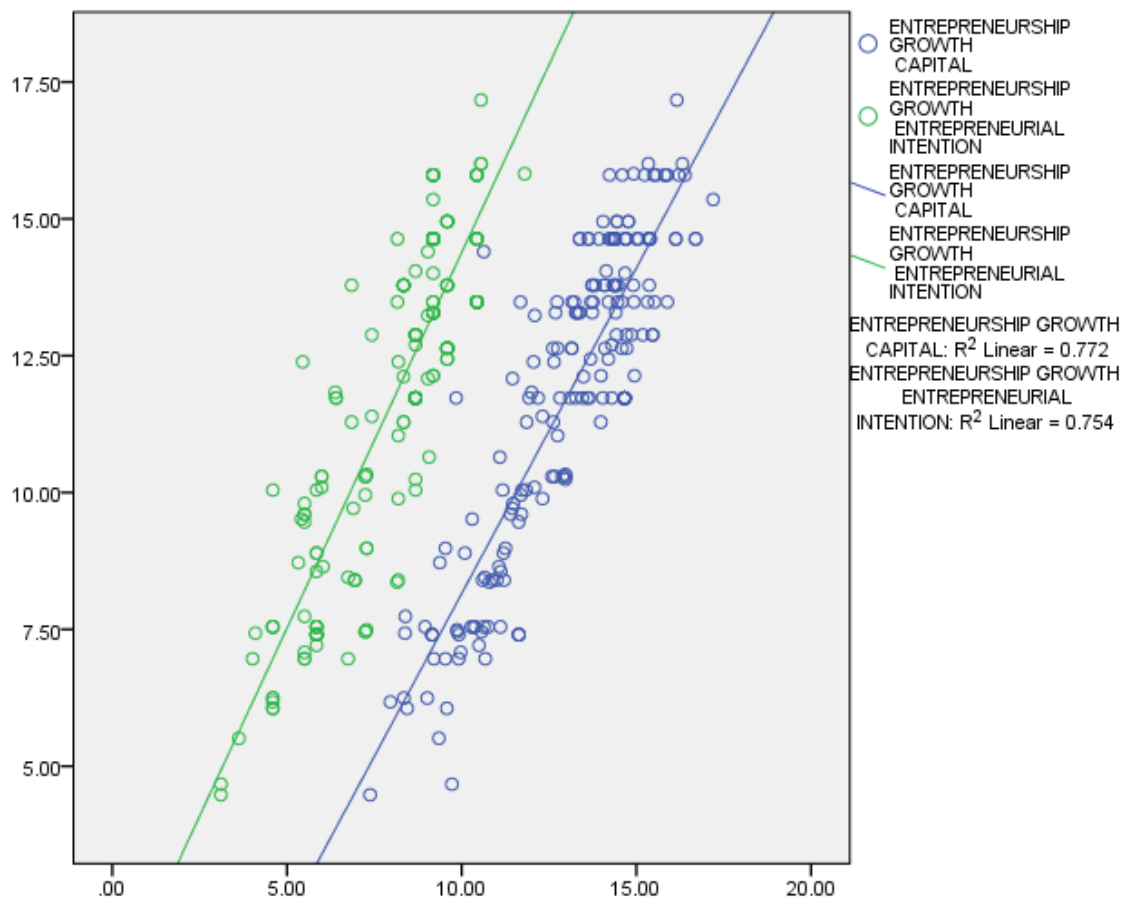


Figure 4.16: Scatter plot of growth/capital and entrepreneurial intention

For further analysis researcher fitted the least squares regressions model $Y = \beta_0 + \beta_1X_1 + \beta_2X_1X_6 + e$ to determine the effect of the moderating variable entrepreneurial intension on the relationship between Capital and Entrepreneurial growth.

The model summary Table 4.43 gives the value for R-Squared which is 0.83. The regression analysis shows there is a positive joint relationship $R=0.915$ between the dependent variable entrepreneurial growth and the independent variables in the model. $R^2=0.83$ from this study, this shows that the variations linear model variable explains 83% of the variations in entrepreneurship growth.

Table 4.43: Model Summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|----------|-----------------|--------------------------|-----------------------------------|
| .915 | .837 | .836 | 1.16235 |

The ANOVA test on Table 4.44 shows a significant F-statistic of 509.011 at 0.05 level of significance since the significance 0.000 of the F-statistic is less than 0.05. This implies that the model in use was significantly fit and can be used to make predictions. As we reject the null hypothesis $H_0: b_0=b_1=0$ and take the alternative that at least one coefficient of the model is greater than zero.

Table 4.44: ANOVA

| | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 1375.418 | 2 | 687.709 | 509.011 | .000 |
| Residual | 267.512 | 198 | 1.351 | | |
| Total | 1642.929 | 200 | | | |

The coefficients table 4.45 shows that all the estimated coefficients are significant since they have t-statistics with p-values which are all less than zero. The coefficient of the computed variable capital intersection entrepreneurial intention is also significant implying that the variable Entrepreneurial intention has a moderating effect on the relationship between entrepreneurial growth and the capital.

Table 4.45: Coefficients

| Variable | Coefficients | Std. Error | T | Sig. |
|---|---------------------|-------------------|----------|-------------|
| (constant) | 1.929 | 0.819 | 2.355 | 0.02 |
| Capital | 0.291 | 0.108 | 2.69 | 0.008 |
| Capital intersection entrepreneurial intention | 0.056 | 0.006 | 8.875 | 0 |

4.7.13 Overall model

The research used the multiple linear regressions to model the relationship among the five independent variables. Every value of the independent variable x is associated with a value of the dependent variable y . i.e.

$$Y=b_0+b_1X_1+b_2X_2+b_3X_3+b_4X_4+b_5X_5+e$$

The overall model fit was found to be 0.994 as depicted on Table 4.46. This indicates that 99.4% of the variability in the Entrepreneurship growth can be explained by the independent variables namely; Capital, Skills and experience, Role Modelling, Technology Transfer and Enterprise Linkages. The Adjusted R square of 0.994 indicates that 99.4% of the variance in the Entrepreneurship growth was explained by the variations in the five independent variables in the

regression model. The R value of 0.997 is very strong and shows that the level of prediction of the linear regression model was very high.

Table 4.46: Model summary

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------------------|-----------------|--------------------------|-----------------------------------|
| .997 ^a | .994 | .994 | .19023 |

The F-statistics was used to test the fit of the multiple linear regression model using the following hypothesis.

Null Hypothesis H_0 : $b_1=b_2=b_3=b_4=b_5=0$

Alternative Hypothesis H_1 : At least one of b_1, b_2, b_3, b_4, b_5 is not equal to 0. I.e. there exists $b_i \neq 0$

The ANOVA results show that the independent variables (Capital, Skills and experience, Role Modelling, Technology Transfer and Enterprise Linkages) statistically significantly predict the Growth of Entrepreneurship ($F(5,196) = 6.614 > F\text{-critical} = 2.260167$) as shown on table 4.47. This implies that the multiple linear regression model is a good fit of this data. This implies that the null hypothesis $H_0: b_1=b_2=b_3=b_4=b_5=0$ is rejected and the alternative that there exists $b_i \neq 0$ is taken. This indicates that the model $Y=b_0+b_1X_1+b_2X_2+b_3X_3+b_4X_4+b_5X_5+e$ is a good fit.

Table 4.47: ANOVA

| | Sum of Squares | Df | Mean Square | F | Sig. |
|--------------|-----------------------|------------|--------------------|----------|-------------|
| Regression | 1196.634 | 5 | 239.327 | 6.614E3 | .000 |
| Residual | 7.093 | 196 | .036 | | |
| Total | 1203.727 | 201 | | | |

The multiple linear regression was run to predict the dependent variable Entrepreneurship Growth from the independent variable Capital, Skills and experience, Role Modelling, Technology Transfer and Enterprise Linkages. Skills and Experience had the value ($\beta = 0.013$, p-value < 0.007), Technology Transfer ($\beta = 0.22$, p-value < 0.027), Enterprise Linkages ($\beta = 0.019$, p-value < 0.031) and Capital ($\beta = 0.148$, p-value < 0.000) this is as indicated on Table 4.48. These are significantly different from zero. Thus the four variables statistically significantly added to the prediction of Entrepreneurship Growth. There was however not enough statistical evidence that Role modelling was an important factor in predicting the Entrepreneurial Growth ($\beta = 0.009$, p-value = $0.126 > 0.05$).

The multiple linear regression model is therefore:

$$Y = 0.009X_1 + 0.013 X_2 + 0.022 X_3 + 0.019 X_4 + 0.148 X_5$$

Where

X_1 = Role Modelling

X_2 = Skills and Experience

X_3 = Technology Transfer

X_4 = Enterprise Linkages

X_5 = Capital

Table 4.48: Coefficients

| Variable | Coefficients | Std. Error | t | Sig. |
|-----------------------|--------------|------------|--------|-------|
| Role Modelling | 0.009 | 0.006 | 1.538 | 0.126 |
| Acquisition Of Skills | 0.013 | 0.005 | 2.722 | 0.007 |
| Technology Transfer | 0.022 | 0.01 | 2.236 | 0.027 |
| Enterprise Linkages | 0.019 | 0.009 | 2.172 | 0.031 |
| Capital | 0.148 | 0.009 | 16.059 | 0 |

The researcher used table 4.34 to make conclusions on whether to accept the hypotheses.

H₀: Foreign Direct Investors do not act as role models to enhance entrepreneurship growth. For the first objective, the null hypothesis was accepted that there is no significant relationship between role modelling and entrepreneurial growth. This is because the p value of the t-statistic is greater than 0.5 making the coefficient of role modelling insignificant in the model.

H₀: Skills acquired in the foreign investments have no an influence on entrepreneurship growth. For the second objective, the null hypothesis was rejected and the alternative taken that there is a significant relationship between acquisition of skills and entrepreneurial growth. This is because the p-value of the t-statistic is less than 0.5 making the coefficient of acquisition of skills significant in the model.

H₀: Technology transfer from the foreign direct investments has no effect on entrepreneurship growth. For the third objective, the null hypothesis was rejected and the alternative taken that there is a significant relationship between transfer of technology and entrepreneurial growth. This is because the p-value of the t-statistic is less than 0.5 making the coefficient of transfer of technology significant in the model.

H₀: Capital raised in the Foreign Direct Investments has no effect on entrepreneurship growth. For the fourth objective, the null hypothesis was rejected and the alternative taken that there is a significant relationship between capital and

entrepreneurial growth. This is because the p-value of the t-statistic is less than 0.5 making the coefficient of capital significant in the model. With this the revised conceptual framework was developed.

Optimal Model Framework

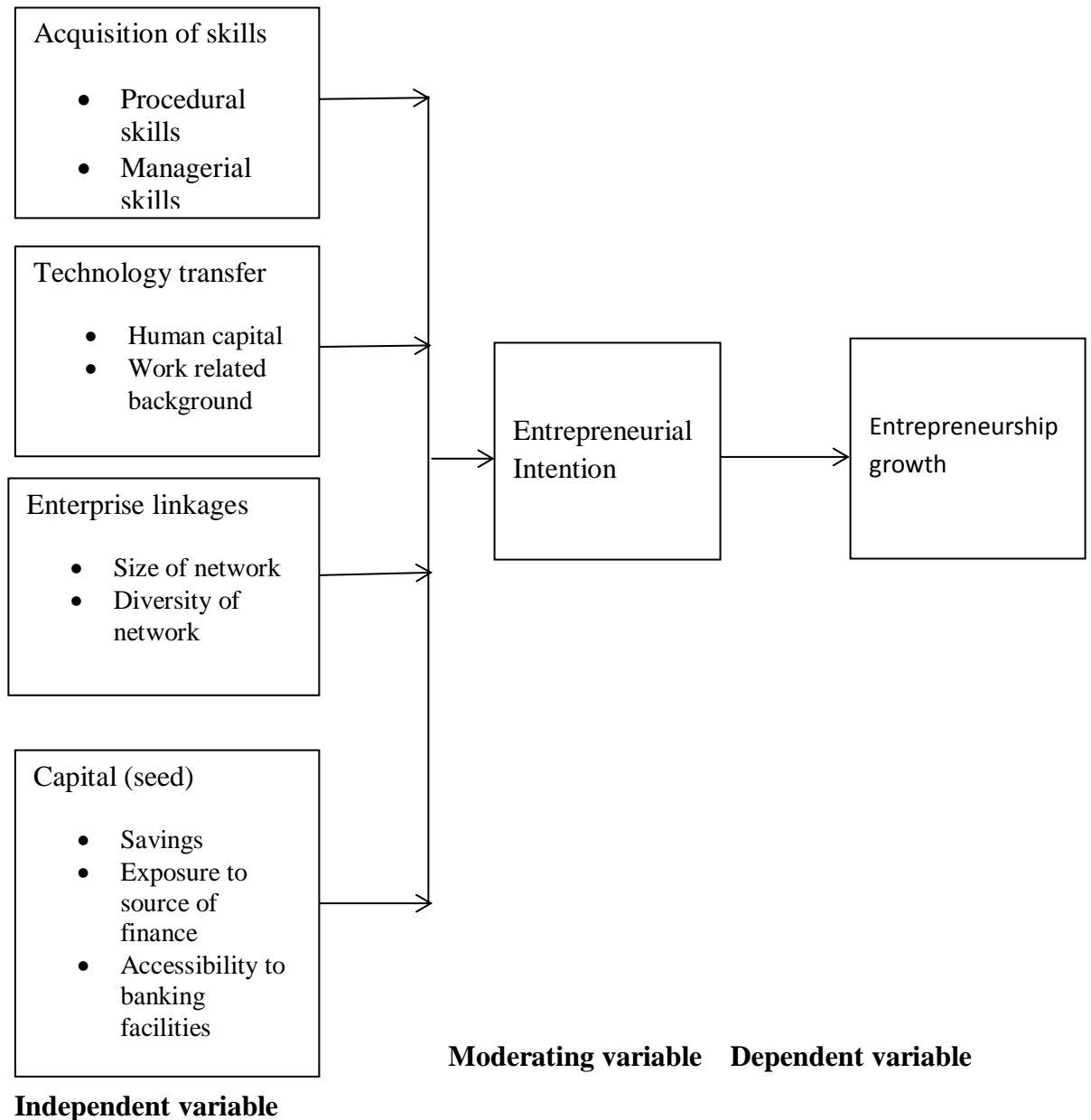


Fig. 4.17 Optimal Model framework

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study sought to establish if Foreign Direct Investors in Kenya have contributed to entrepreneurship growth by enhancing entrepreneurial intentions among their local employees. The study explored the relationship between the independent variables; role modelling, acquisition of skills, technology transfer, enterprise linkages and capital with the dependent variable entrepreneurial intentions which leads to entrepreneurship growth. The general findings showed that FDIs do contribute towards entrepreneurship growth by enhancing entrepreneurial intentions among their local employees.

5.2 Summary of Findings

The study targeted Kenyan employees working in FDI's within Nairobi. A population of 66 FDIs in Nairobi was targeted and a sample of 235 employees was selected. Summary and discussions of the study findings followed the research hypotheses formulated in chapter one. These research variables guided the arrangement of the findings as discussed below.

Role modelling

The research verified that there was a positive relationship between role modelling and entrepreneurship growth. The statistical analysis indicated that there was a statistical significant positive linear relationship between the two variables. Entrepreneurial intention had moderating effect on role modelling. However, from the overall model, the variable did not have a combined effect on the entrepreneurship growth.

Acquisition of skills

The findings revealed that there was a significant statistical association between the variable acquisition of skills and entrepreneurship growth. The parameters under study were; technical, procedural, and managerial skills. The findings indicated that employees in the FDI's underwent sufficient training (97.5%), which enabled them to gain the relevant skills (procedural and technical). This indicates that the Kenyan employees working in the FDI's acquire relevant skills and experience which enhances entrepreneurial intentions among them.

These findings identified prior experience as one of the dimensions responsible for formation of entrepreneurial intentions and led the researcher to conclude that acquisition of skills from the FDI's led to entrepreneurship growth. Entrepreneurial intention had a moderating effect on skills. This implies that the more skills the Kenyan employees acquire from the FDI's, the higher their entrepreneurial intentions grow and thus the higher the chance of them starting their own businesses leading to entrepreneurship growth.

Technology

The study found out that there is a significant relationship between transfer of technology and entrepreneurship growth. This indicated that Kenyan employees working in the FDI's had acquired new technology which was acquired either through training, copying or just as a slip-over effect from their employers. The findings further showed that the technology acquired was simple in utilization (91%), meaning that they could easily transfer the technology elsewhere, and in particular would apply it in their own businesses. The acquired technology made

them more innovative and enhanced their desire to try out something new. There was also evidence that entrepreneurial intention had a moderating effect on the variable. This means that technology transfer enhanced entrepreneurial intentions among the employees leading to entrepreneurship growth.

Enterprise linkages

The study findings indicated that there was a significant relationship between provision of linkages and entrepreneurship growth. The results established that FDI do business with local firms. Exposure of Kenyan employees to these businesses enhances networking. Entrepreneurial intention acted as a moderating variable meaning that enterprise linkages enhanced entrepreneurial among the Kenyan employees. This in turn leads to new business start-ups leading to entrepreneurship growth.

Through the exposure in the FDI's the employees acquire knowledge of quality requirements. This increases the confidence in the employees and employers since prior knowledge on the materials and systems develops technical skills which influence entrepreneurial intention.

Capital

The study findings indicate that there is a significant relationship between capital (salary) and entrepreneurship growth. Using accessibility to banking facilities, exposure to sources of finance, keenness on savings and amount of salaries received as indicators, the researcher verified that there is a statistical significance between capital and entrepreneurial intention.

The fact that these employees felt they had access to the necessary capital is an enhancer to their entrepreneurial intentions. Focusing on this, the researcher concludes that the respondents' confirmation of their access to capital is an indication of an enhanced entrepreneurial intention and its right to conclude that they are likely to start their own ventures in the future. The statistical analysis showed that capital and entrepreneurship growth had a statistically significant positive linear relationship. However, entrepreneurial intention had no moderating effect.

5.3 Conclusions

The main objective of this study was to explore the role that foreign direct investors play in enhancing entrepreneurship growth among the Kenyan employees. The findings suggested that employers in the FDI's provided exogenous factors necessary for enhancing entrepreneurial intentions of an individual, and in particular an employee.

This study determined that foreign direct investors enhance entrepreneurship growth through their employees by acting as role models to them. The regression analysis showed that there is a positive joint relationship $R=0.86$ between the dependent variable entrepreneurship growth and role modelling. The statistical tests also verified that entrepreneurial intention had a moderating effect on role modelling. This means that FDIs act as role models to enhance entrepreneurial intentions among their employees, which leads to entrepreneurship growth.

The study verified that the foreign direct investors provide the necessary skills to their Kenyan employees. Skills are identified in the theories as an important ingredient in the creation of entrepreneurial intentions. There is statistical evidence that skills are useful in enhancing entrepreneurship growth. It was also verified that entrepreneurial intentions have a moderating effect on acquisition of skills.

From the study findings it was concluded that FDIs, expose their employees to new and appropriate technology. There was a strong positive linear relationship between technology transfer and entrepreneurship growth. $R^2=0.315$ meaning that technology transfer explains 31.5% of entrepreneurship growth. Further analysis indicated that coefficient of technology transfer intersection entrepreneurial intention is significant. Therefore entrepreneurial intention has a moderating effect on the variable technology transfer.

Enterprise linkage is viewed as a major contributor in entrepreneurial intentions. The theories reviewed indicated that networking is necessary in venture creation. The findings from the study show that there is a strong positive relationship between entrepreneurship growth and enterprise linkages ($R=0.457$ while $R^2=0.209$). The overlay scatterplot shows a definite intersection meaning that entrepreneurial intentions have a moderating effect on the independent variable.

The statistical analysis indicated that there was a positive relationship between entrepreneurship growth and availability of capital. The overlay scatterplot did not show a definite intersection of the two lines. This means that entrepreneurial

intentions have no moderating effect on the relationship between capital and entrepreneurship growth.

5.4 Recommendations

To explore the influence of skills acquired in the foreign investments on entrepreneurship growth.

The findings indicate that skills acquired in the FDIs have an influence in entrepreneurship growth. Policy makers should therefore come up with policies that ensure the Kenyan employees working in the FDIs have access to trainings which impart the relevant skills in them. On the other hand these investors should be encouraged to expose their Kenyan employees more in their businesses. The employees, if given more responsibilities and given management positions, they could acquire the relevant management skills which in turn could increase their entrepreneurial intentions.

To establish the effect of technology transfer from the Foreign Direct Investments on entrepreneurship growth.

Policy makers should encourage utilization of appropriate technology into the FDIs so that foreign technology can be transferred to the Kenyan employees. This is likely to enhance entrepreneurial intention leading to entrepreneurship growth. Policy makers should further come up with policies that enforce foreign investors to continuously train their local employees in utilization of technology used in the firms. The more trained the employees are, the higher their self-efficacy, which brings about entrepreneurial intentions.

The general objective of the study was to explore the role of foreign direct investors in enhancing entrepreneurship growth in Kenya.

There is need for policy makers to understand factors that support entrepreneurship growth in order to develop supportive policies. The policy makers should ensure the factors that enhance the decision making process are identified and availed so that more individuals may develop the desire to create new business ventures.

5.5 Areas for Further Research

This research study focused on identifying the role of FDI in creating entrepreneurial intentions among their local employees. This was in line with other studies that indicated that intentions are the best predictor of behaviour and in this case the behaviour is venture creation which leads to entrepreneurship growth. Due to the difficulty of studying cognitive constructs the researcher recommends further research to be carried out on employees who leave employment in the FDIs and verify if they actually started their own business or not. A study on factors that would hinder these employees from venturing into business could also be carried out. A lot of research is still needed to better comprehend which factors affect entrepreneurial intentions leading to business creation.

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APPENDICES

Appendix 1: Letter of Introduction to Respondents

30th March, 2013

To:

Dear Sir/Madam,

REF: Collection of research data

My name is Lucy Kinyua. I am a PhD student at Jomo Kenyatta University of Agriculture and Technology. I am currently carrying out a research on **Role of foreign direct investment in promoting entrepreneurship growth through entrepreneurial intention among the employees in Kenya**. I am in the process of gathering data.

I am kindly requesting you to fill in the questionnaire attached honestly to enable me to successfully collect my data. Please take time to respond to all the questions in all the sections.

I would like to assure you that your responses will be treated with confidentiality and the data generated will be used for this study only. This study will be used for academic purposes only.

Thank you in advance.

Yours sincerely,

Lucy Kinyua

Reg.No. HD413-0020/2008

Appendix 2: Questionnaire

EMPLOYEE'S QUESTIONNAIRE

Part one

1.0 Personal / background information

The following questions will help identify some entrepreneurial characteristics of the individual employee.

- 1) Name of employee (optional)

.....

Tick the most appropriate answer for the following questions.

- 2) Gender

- a. Male
- b. Female

- 3) Age

- a. 18-25
- b. 25-30
- c. 30-40
- d. 40-50
- e. Over 50

- 4) Marital status

- a. Married
- b. Single
- c. Widowed
- d. Divorced

- 5) Level of education

- a. Primary level
- b. Secondary level
- c. Tertiary level

d. University

6) Which is your area of specialization? (skill)

a. Technical

b. Management (financial or human resource)

c. Others (specify).....

7) Period of time worked in the business organization / firm

a. 0-5years

b. 5-10years

c. 10-20years

d. Over 20 years

Part 2- Variables

2.1 Role modelling

A role model is someone, who other individuals aspire to be like, either in the present or in the future. Through association with the employer an employee can acquire some traits that can give them the desire to start their own businesses.

For the following questions please tick the statement that best describes your feelings

| No. | Indicator | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|-----|--|----------------|-------|----------|----------|-------------------|
| 1 | I admire my employer as a business person. | | | | | |
| 2 | My employer has attributes like confidence, risk taking, time management and creativity that I find appealing. | | | | | |
| 3 | From what I have learnt from my employer, I am confident I can develop my own products/services and create a market. | | | | | |
| 4 | I can do what my employer does and even do it better. | | | | | |
| 5 | I am now confident I can cope with unexpected challenges. | | | | | |
| 6 | I admire my employer and I would like to be as successful. | | | | | |
| 7 | My employer has motivated me to start my own business. | | | | | |

2.2 Skills and experience

Skills and experience are important factors for an aspiring entrepreneur.

| No. | Indicator | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|-----|--|----------------|-------|----------|----------|-------------------|
| 1 | I have undergone sufficient training since I started working in this firm. | | | | | |
| 2 | I have acquired skills that can help me provide similar products/services. | | | | | |
| 3 | Using skills acquired in this firm I can train others to use similar production processes. | | | | | |
| 4 | Working in this company has made me acquire different management skills. | | | | | |
| 5 | With the skills acquired I would now be able to manage my own employees. | | | | | |
| 6 | I understand the organizational procedures like purchasing, storage, sales etc. | | | | | |
| 7 | The experience I have acquired here is enough to help me run my own business effectively. | | | | | |

2.3 Technology Transfer

Technology is important for business growth. Technology in this study will be defined as the methods of production (the procedures) as well as the machines and equipment used.

| No. | Indicator | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|-----|---|----------------|-------|----------|----------|-------------------|
| 1 | As I have been working here, I have acquired new technology. | | | | | |
| 2 | I have acquired sufficient knowledge on the technology used here. | | | | | |
| 3 | This technology is simple in utilization. | | | | | |
| 4 | I can confidently apply that technology elsewhere. | | | | | |
| 5 | I have become more innovative than before. | | | | | |
| 6 | The type of technology, the machines and systems used in this firm are available locally. | | | | | |
| 7 | If I started my own business, I would use the same technology I use here. | | | | | |

2.4 Enterprise linkages

An individual's network provides information and resources which shape opportunity recognition and thereby influence the intention to become an entrepreneur.

| No. | Indicator | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|-----|--|----------------|-------|----------|----------|-------------------|
| 1 | The firm uses local firms to supply raw materials or to buy their finished products. | | | | | |
| 2 | I have dealt directly with these suppliers/customers. | | | | | |
| 3 | I have good contacts with other businesses related to this firm. | | | | | |
| 4 | I have developed a good social network that can be utilized when I decide to be an entrepreneur. | | | | | |
| 5 | I know many people doing similar businesses. | | | | | |
| 6 | I have a good relationship with my employer and he would give me business as a supplier/customer if I started my own business. | | | | | |
| 7 | I have a good knowledge of quality requirements by suppliers and end users. | | | | | |
| 8 | Due to the network I have with other businesses, I am better able to identify business opportunities. | | | | | |

2.5 Capital (seed)

It is generally accepted that access to seed capital is an important determinant of new business creation.

| No. | Indicator | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|-----|---|----------------|-------|----------|----------|-------------------|
| 1 | The capital to start a business will be available since I am in employment. | | | | | |
| 2 | I have some form of savings and credit facilities in my place of work. | | | | | |
| 3 | I have other sources of income. | | | | | |
| 4 | If I am careful with my salary, I can save enough to help me start my own business. | | | | | |
| 5 | I operate a bank account. | | | | | |
| 6 | It is possible to acquire a loan from my banker. | | | | | |
| 7 | I have ever considered saving to start my own business. | | | | | |

2.6 Entrepreneurial intention

For entrepreneurship to grow, people should have an entrepreneurial intention. Many employees should be willing to start their own business ventures. There are certain factors / mind openers that can motivate an employee to start their own businesses.

| No. | Indicator | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|-----|--|----------------|-------|----------|----------|-------------------|
| 1 | After working here I now realize there are many opportunities out there. | | | | | |
| 2 | I have changed my attitude towards self - employment | | | | | |
| 3 | Running my own business would be more prestigious than working for others. | | | | | |
| 4 | Given an opportunity, I would be a supplier (or a customer/client) of this firm? | | | | | |
| 6 | I have confidence that I can successfully run my own business now | | | | | |
| 7 | In my opinion my employer made me have the desire to start my own business | | | | | |

2.7 Entrepreneurship growth

Indicators of business growth are many

| No. | Indicator | Strongly agree | Agree | Not sure | Disagree | Strongly disagree |
|-----|---|----------------|-------|----------|----------|-------------------|
| 1 | I have the ability to recognize business opportunities | | | | | |
| 2 | Being an entrepreneur would give me more satisfaction than being an employee. | | | | | |

| | | | | | | |
|---|---|--|--|--|--|--|
| 4 | Independence at work is important to me. | | | | | |
| 5 | I have a small business already in existence | | | | | |
| 6 | I plan to start my own business in the next 3-5 years. | | | | | |
| 7 | I know of colleagues who have started their own businesses after leaving employment here. | | | | | |

Thank you very much for your cooperation and for your time.

Appendix 3: Major Countries of FDI Origin and their Main Sectors

| Year | No. of foreign projects | Major Source Countries | Main Sectors |
|-----------------------|-------------------------|---|---|
| 2002 | 31 | China=20%,SA=16%, India=16%,Uk=10%, Others= 36% | Manufacturing, Services and Tourism |
| 2003 | 56 | China= 17%, UK = 15%, USA= 7%, India =4% Others =57% | Service,Manufacturing,Tour ism |
| 2004 | 64 | UK=14%, China=11%, German= 10%, USA= 8% , India = 5 % SA = 5%, Others= 47% | Service, Manufacturing, Tourism, Agriculture |
| 2005 | 52 | China=22%, UK=22%, India=10%, SA=6%, USA=13% Others=27% | Service, Manufacturing, Tourism, Agriculture |
| 2006 | 70 | UK,India,China,Germany, SA,USA | Service, Manufacturing, tourism, Agriculture |
| 2007 | 73 | UK,China,Canada, India, Italy,Pakistan | Service, Manufacturing, Tourism |
| 2008 | 49 | Italy, South Africa USA,India, Netherlands,UK | Manufacturing,Construction ,Service,Tourism |
| 2009 | 64 | UK,India,Canada,China, South Africa | Construction,Agriculture,To ur, Energy, Manufacturing,ICT |
| Jan- June, 2010 | 41 | Australia,SouthAfrica, UK,Turkey,Canada,India | Construction,Mining,Servic e, Manufacture,Agriculture |

Source: The Kenya Investment Authority, 2010

Appendix 4: Companies & Population of Employees from Different Sectors in Nairobi County

| Name of business | Activity | Type of business | Number of employees |
|---------------------------------|---|-------------------------|----------------------------|
| Geylan Company Ltd | Water treatment | Service | 5 |
| Quality meat packers Ltd | Meat processing | Manufacturing | 9 |
| Josam Tailors Enterprise | Sale of jaggery | Service | 3 |
| Oriental Victoria II Ltd | Restaurant | Service | 8 |
| Ikapamedia East Africa Ltd | Event organising | Service | 2 |
| Polucon Services (K) Ltd | Laboratory testing | Services | 4 |
| Trust International Trading Ltd | Safaricom dealership | Services | 5 |
| Panthera Publishers Ltd | Paper products | Manufacturing | 15 |
| Outlook Communications (SA) | Advertising-promoting | Service | 5 |
| Seven Restaurant Ltd | Restaurant | Service | 11 |
| Golden Lion International Ltd | Manufacture of dry cells | Manufacturing | 5 |
| Comet Healthcare Ltd | Pharmaceuticals | Manufacturing | 10 |
| F&F co. Ltd | Garments, textiles, toys | Service | 5 |
| Skylight Chemicals Ltd | Pharmaceutical man | Manufacturing | 11 |
| Hwansung Hotel & Resort Ltd | Accommodation & catering | Service | 15 |
| Gribs Agencies Ltd | Storage & packaging of used clothes | Service | 5 |
| Lawrie Consulting Co. Ltd | It consultancy | Service | 2 |
| Pressmaster Ltd | Packaging materials | Manufacturing | 11 |
| LS Hospitality Concept Limited | Restaurant | Service | 7 |
| Hifab International Aktiebolag | Management consultancy | Service | 2 |
| China Gezhouba Group Co. Ltd | Infrastructure utilities | Service | 10 |
| Vivid Consultancy Services Ltd | Consultancy | Service | 2 |
| Dynatec Kenya Ltd | Security software & mobile devices assets | Service | 3 |
| Stichworld International Ltd | Textiles for export | Manufacturing | 8 |
| EA Latex Manufacturers Ltd | Manufacture of raw latex | Manufacturing | 7 |

| Name of business | Activity | Type of business | Number of employees |
|-------------------------------------|--|-------------------------|----------------------------|
| Mareg Textile Trading Co. Ltd | Trade in textiles | Service | 5 |
| Ken-Tech Data Ltd | Business outsourcing | Service | 2 |
| Garmex International Ltd | Garments for export | Manufacturing | 7 |
| Felt & Fibre Products Ltd | Manufacture beddings | Manufacturing | 7 |
| Bubanks Ltd | Production of fatty acids | Manufacturing | 12 |
| Ismana Designs Ltd | Manuf. of garments | Manufacturing | 7 |
| Adibas (K) Ltd | Manuf. of sports goods | Manufacturing | 14 |
| Newland Industries ltd | Candles | Manufacturing | 7 |
| Far East Company | Manuf. of cooking pans | Manufacturing | 12 |
| Bell Equipment E. Africa Ltd | Import equipment | Service | 9 |
| Complast Industries Ltd | Plastic goods | Manufacturing | 28 |
| Associated Catering Services | Chinese restaurant | Service | 11 |
| Africhin | Catering service | Service | 8 |
| Adeel Marketing Ltd | Export hides and skins | Service | 5 |
| Japan Auto-Tech Ltd | Trading, import, export services | Service | 10 |
| Afro French Restaurant | French & W. Africa food restaurant | Service | 8 |
| AGS Worldwide Movers Ltd | Specialised transportation | Service | 12 |
| Basit Trading Co. Ltd | Manuf. of Japanese vehicle car locks | Manufacturing | 14 |
| Beverages International Complex | Distillers and brewers | Service | 10 |
| Cosmo Millers Ltd | Produce Indian maize & flour | Service | 6 |
| Four Beijin Star Co. (Kenya) Ltd | Manufacture of toys | Manufacturing | 9 |
| Express Trucking (Ltd) | Transportation | Service | 4 |
| Conservation Communications (E.A)Lt | Wildlife film producers & distributors | Service | 6 |
| Cempack Ltd | Manufacture of paper sacks | Manufacturing | 11 |
| Master Flour Mills | Flour milling | Service | 15 |
| Fila East Africa Ltd | Import, dist.& selling sports items | Service | 4 |
| Dun Yi Ltd | Chinese restaurant | Service | 17 |

| Name of business | Activity | Type of business | Number of employees |
|------------------------------------|---|-------------------------|----------------------------|
| African Cargo Handling Ltd | Cargo warehousing & airport handling | Service | 11 |
| Empyrean Diagnostic | Manufacture of HIV1-2 kits | Manufacturing | 15 |
| Eight Eighty Photographs Co. Ltd | Photographic services | Service | 4 |
| Georgetown Restaurant | Restaurant and entertainment | Service | 13 |
| Foodpack East Africa Ltd | Food packing | Service | 3 |
| Animalia Safaris Ltd | Tourism | Tourism | 2 |
| Adil Sons Trading Co. Ltd | Trading (import & export) | Trade | 11 |
| Dubai Beauty Centre | Trade in Beauty care products | Service | 5 |
| Elite Club | A business club | Service | 11 |
| Damif Commercial Engineering Ltd | Construction | Service | 9 |
| Star of Anatolia Ltd | Shoe production | Manufacturing | 14 |
| Sadiv Kenya Ltd | Duty free shops | Service | 3 |
| Kenya Four Tigers Enterprises Ltd | Import & export trade | Service | 14 |
| Maxon Kenya Ltd | Manuf. of audio & video cassettes | Manufacturing | 9 |
| Rong Guang Africa Ltd | Manufacture of shoes | Manufacturing | 15 |
| A-One General Industries Ltd | Electronic & computer assembling | Service | 17 |
| Sahil Enterprises Ltd | Confectionery manufacturing | Manufacturing | 17 |
| SA Rang Safari & Travel | Tour operator | Tourism | 8 |
| Jose International Consultants Ltd | Invest. management consultancy & training | Service | 5 |
| Lucky Jack Trading Company | Manuf. of PV/PVC footwear | Manufacturing | 30 |
| Eighteen Restaurant Ltd | Restaurant business | Service | 15 |
| Michikazu Import/Export | Importation & sale of motor vehicles | Service | 14 |
| Kwality Candies & Sweets Ltd | Production of candies & sweets | Manufacturing | 19 |
| Kendro Limited | Import & Export dealers | Service | 5 |
| Traders Point Ltd | Manu. Bakery products | Manufacturing | 12 |

| Name of business | Activity | Type of business | Number of employees |
|-----------------------------------|---|-------------------------|----------------------------|
| Soft Systems Kenya Ltd | Software development & consultancy | Service | 6 |
| European Perfumes & Cosmetics Ltd | Manuf. of perfumes & cosmetics | Manufacturing | 17 |
| Mace Foods Ltd | Agro processing | Agriculture | 14 |
| Fineline Industries Ltd | Manufacturing of sanitary pads | Manufacturing | 20 |
| Specon Company Limited | Production of plastic products | Manufacturing | 18 |
| Infinity Dynamic Enterprise | Import and sale electrical products | Service | 11 |
| ABC Kenya Services Ltd | Prospecting mineral mining | Service | 13 |
| Pannar Seed Kenya Ltd | Prod. Supply/Certified hybrid seeds | Agriculture | 9 |
| Dart Express Kenya Ltd | Freight and forwarding | Service | 4 |
| Royal Investment Service | Fund management investment banking | Service | 6 |
| Economy Group EA Limited | Gas emission reduction | Service | 6 |
| Golden Spur Ltd | International restaurant franchise | Service | 17 |
| Changhong Electronics (E.A.) Ltd | Assembly & production of electronic goods | Service | 22 |
| Phoenipaper Ltd | Production of paper products | Manufacturing | 19 |
| Eyson Africa Adventure Safari Ltd | Organise tourists from Yugoslavia | Tourism | 3 |
| Laundry King Ltd | Laundry service for hotels & restaurants | Service | 11 |
| Eskade Kenya Ltd | General printing | Service | 5 |
| Kenkor Foods Ltd | Manufacture of confectioneries | Manufacturing | 16 |
| Visergy Ltd | Design & communication consultants | Service | 9 |
| Shrink Pack Ltd | Manufacture heat shrink films | Manufacturing | 17 |
| Rajpal International Ltd | Assembling and manufacture of Electronics | Manufacturing | 10 |
| Demac Trading Co.Ltd | Export of coffee and Beans | Service | 5 |
| Kimisa Crafts Enterprises | Export of hand made products | Service | 3 |

| Name of business | Activity | Type of business | Number of employees |
|--|---|-------------------------|----------------------------|
| Desbrosse Holdings Ltd | Hotel/French restaurant | Service | 7 |
| Y.B.P Enterprises Ltd | Therapeutic massage practise & Training | Service | 9 |
| Strategic Industries Ltd | General trading, imports and export | Service | 4 |
| Adeel Marketing Ltd | Export hides and skin & wetblue | Service | 10 |
| World Training Centres Inc | Waste Reclamation solutions | Service | 3 |
| Candy Kenya Ltd | Exporters/wholesalers, distributors | Service | 9 |
| Future Industry & Trade Corporation Ltd | Manufacture of glass and Aluminium | Manufacturing | 29 |
| Prolab Limited | Microbiological & chemical laboratories | Services | 7 |
| East Morton Trading Co. Ltd | Import and Export | Service | 5 |
| Sun-City Construction | Production & assembling of aluminium products | Manufacturing | 32 |
| ACME Blue Chips | Stockbrokers, dealers & real agents | Services | 5 |
| Ebizafrica Ltd | Internet based software | Service | 7 |
| Karen Country House Limited | Hotelier/tourism | Tourism | 28 |
| International Trade & Investment Consult | Consulting, training & procurements | Service | 3 |
| Go Africa travel Limited | Travelling promotions | Service | 8 |
| Aucma Digital Technology Ltd | Manufacture of TVs, DVDs, VCDs | Manufacturing | 15 |
| Kenya Direct Company | Export & Import of Flowers & commodities | Service | 7 |
| Chanad Enterprises Ltd | Manufacture of pharmaceuticals | Manufacturing | 16 |
| African Grounds Ltd | Project development and consultancy services | Service | 3 |
| Fun N Shop Ltd | Supermarket & cafeteria | Service | 6 |
| Paka Touring Company Ltd | Tours & travel company | Tourism | 3 |
| Geo-Net Communications Ltd | Telecommunications | Service | 8 |
| McCroft Tobacco Kenya Ltd | Manufacture of Tobacco products | Manufacturing | 10 |
| Zana Zindukana Ltd | Furniture Design & | Service | 6 |

| Name of business | Activity | Type of business | Number of employees |
|--|------------------------------------|-------------------------|----------------------------|
| | making | | |
| Lulu Development Co. Ltd | Textile manufacturing | Manufacturing | 10 |
| Kenthai Technologies Ltd | Motor vehicle assembly | Service | 16 |
| Stuttafords International Fashion Co Ltd | Clothing retail | Service | 4 |
| Pace Systems Ltd | Telecommunication services | Service | 5 |
| Global Entrepreneurs Africa Ltd | International export | Service | 7 |
| Palm heath care International Ltd | Manufacture of male condoms | Manufacturing | 14 |
| Mecer East Africa Limited | Computer assembly and distribution | Service | 11 |
| Fleur De Mimea Ltd | Export of horticultural crops | Agriculture | 3 |
| Fast Track Kenya Ltd | Air transport agencies | Service | 9 |
| Manipal Int'l Printing Press Ltd | Printing | Service | 5 |
| Cartridge Workshop Ltd | Remanufacture of toner cartridges | Manufacturing | 11 |
| Simply Hi Tech Ltd | It & telecom | Service | 2 |
| Jasmin Beauty College | Beauty college | Service | 9 |
| Corporate Governance Centre | Consultancy & training | Service | 6 |
| The Mehta Group Ltd | Real estate development | Service | 4 |
| Focin Motorcycle Ltd | Motorcycle assembling plant | Service | 14 |
| Netech Computers Ltd | ICT services | Service | 4 |
| Ralsa Ltd | International consultancy | Service | 5 |
| Dr. Wireless Ltd | ISP | Service | 5 |
| Nova Industries Ltd | Packaging of agrochemicals | Service | 10 |
| Africa Medilink Ltd | Business processing Outsourcing | Service | 3 |
| Primavara Picnick Snacks | Food processing | Service | 17 |
| Terry's Computerized auto Solution | Auto workshop & garage | Service | 6 |
| Span Image (K) Ltd | Digital advertising | Service | 5 |
| Dong Fang Dev. Ltd | Import of goods | Service | 12 |
| Economic Industries Ltd | Manufacture of stationery | Manufacturing | 17 |

| Name of business | Activity | Type of business | Number of employees |
|--|---|-------------------------|----------------------------|
| Premier Russian techno Ltd | Manufacture of Ethanol Spirit | Manufacturing | 8 |
| SolitonTelmec Ltd | Telecommunication engineering | Service | 7 |
| Gateway Telecommunications (Kenya) Ltd | Telecommunication services | Service | 3 |
| Horizon Contacts Centres Ltd | Business processing outsourcing | Service | 4 |
| Merchant International Holding Ltd | ICT | Service | 9 |
| Winlot Kenya Ltd | Operation of lottery | Service | 2 |
| MiddleEast Africa Auto Spares Ltd | Supply & retail of motor vehicles spares | Service | 7 |
| ISYS Software Kenya Ltd | Software development | Service | 3 |
| Ace Solution Africa Ltd | Web development & ICT consultancy | Service | 7 |
| Terrain works Ltd | Hire out earth mover excavator | Service | 3 |
| International Virtual Contact Centre (Kenya) | Customer mgt business processing outsourcing | Service | 2 |
| Universal Tyres & Systems Kenya Ltd | Retreading of tyres for commercial Vehicles | Manufacturing | 20 |
| Power Source enterprises Ltd | Transport & trading | Service | 5 |
| Hot sun Films | Film production services | Service | 8 |
| Rokawind Ltd | Manufacture of drinking straw | Manufacturing | 10 |
| Catic International Engineering (K) LTD | Building & construction | Service | 11 |
| Oriflame E.A. Ltd | Sale of cosmetics | Service | 11 |
| Heidelberg East Africa Ltd | Sales of pre-press, press & posters | Service | 7 |
| Chipstix Kenya Ltd | Mobile fast food franchise | Service | 6 |
| Adamas Ltd | Buying and selling of rough diamonds | Service | 3 |
| Excia East Africa Ltd | Import and sale of Japanese Vehicles | Service | 4 |
| Brielle Laboartories Ltd | Manufacture of active pharmaceutical formulations | Manufacturing | 16 |
| Nahom Investment Co. Ltd | Transport & trading | Service | 3 |

| Name of business | Activity | Type of business | Number of employees |
|-------------------------------------|---|-------------------------|----------------------------|
| Z and J (Kenya) Company Ltd | Construction & civil engineering | Service | 5 |
| Kenruss Travel Limited | Processing & packaging of Kenyan Coffee | Service | 9 |
| Swensson & Simonet Minerals (K) Ltd | Prospecting, Exploring & Mining of minerals | Service | 5 |
| Datang Shifu Co. Ltd | Chinese restaurant | Service | 12 |
| Arico Aviation Co. Ltd | Aviation consultancy and leasing | Service | 4 |
| Sinohydro Corporation Ltd | Road construction & engineering | Service | 19 |
| Tekontrol Inc | Service Support (Engineering logistics) | Service | 2 |
| Bourse Kenya Ltd | Commodity future exchange | Service | 5 |
| Xianghui (K) Co. Ltd | Transport & international business | Service | 5 |
| Arise Counselling Services Ltd | Psychotherapy & consultancy services | Service | 3 |
| Super Beauty Parlour Ltd | Beauty parlour | Service | 11 |
| Tasly Africa (K) Ltd | Marketing Chinese health products | Service | 4 |
| Expedited Energy Holdings Ltd | Power generation | Service | 8 |
| Diaspora Homes (Kenya) Ltd | Real estate development | Service | 5 |
| Infusion Medical Ltd | Manufacture of pharmaceuticals | Manufacturing | 12 |
| Rokibbs Enterprises | Energy saving /security consultancy | Service | 5 |
| Excia East Africa Ltd | Importation of cars | Service | 3 |

Agriculture

| | |
|--------------------------|-----------|
| Agriculture | 9 |
| Agriculture | 11 |
| Agriculture | 7 |
| Agriculture | 15 |
| Agriculture | 10 |
| Total Agriculture | 52 |

Manufacturing

| | |
|----------------------------|------------|
| Manufacture | 18 |
| Manufacture | 25 |
| Manufacture | 21 |
| Manufacture | 9 |
| Manufacture | 9 |
| Manufacture | 10 |
| Manufacture | 20 |
| Manufacture | 9 |
| Manufacture | 15 |
| Manufacture | 16 |
| Manufacture | 28 |
| Manufacture | 30 |
| Manufacture | 10 |
| Manufacture | 11 |
| Manufacture | 16 |
| Manufacture | 17 |
| Manufacture | 23 |
| Manufacture | 26 |
| Manufacture | 4 |
| Manufacture | 5 |
| Manufacture | 9 |
| Manufacture | 12 |
| Total Manufacturing | 343 |

Service

| | |
|---------|----|
| Service | 9 |
| Service | 3 |
| Service | 24 |
| Service | 2 |
| Service | 7 |
| Service | 11 |
| Service | 2 |
| Service | 27 |
| Service | 8 |
| Service | 9 |
| Service | 19 |

| | |
|----------------------|------------|
| Service | 2 |
| Service | 20 |
| Service | 7 |
| Service | 8 |
| Service | 9 |
| Service | 12 |
| Service | 13 |
| Service | 2 |
| Service | 29 |
| Service | 6 |
| Service | 7 |
| Service | 10 |
| Service | 11 |
| Service | 2 |
| Service | 22 |
| Service | 3 |
| Service | 7 |
| Service | 8 |
| Service | 15 |
| Service | 16 |
| Service | 4 |
| Service | 5 |
| Service | 7 |
| Service | 5 |
| Total Service | 351 |

Tourism

| | |
|----------------------|-----------|
| Tourism | 8 |
| Tourism | 1 |
| Tourism | 3 |
| Tourism | 12 |
| Total Tourism | 24 |

| | |
|------------------------|------------|
| Total Employees | 770 |
|------------------------|------------|

Appendix 5: Registered Foreign Direct Investors in Kenya

| Country of origin | No. of Investments | No. of local employees |
|-------------------|--------------------|------------------------|
| U.S.A. | 43 | 3,859 |
| Canada | 23 | 1,111 |
| South Africa | 36 | 8,615 |
| Netherlands | 17 | 595 |
| France | 20 | 1,753 |
| Italy | 37 | 3,257 |
| U.K. | 158 | 15,799 |
| Germany | 44 | 2,541 |
| Australia | 16 | 860 |
| China | 128 | 9,220 |
| India | 63 | 8,264 |
| Pakistan | 25 | 1,089 |
| Tanzania | 11 | 499 |
| Uganda | 12 | 605 |
| Zimbabwe | 10 | 630 |
| N. Korea | 11 | 499 |
| Switzerland | 10 | 1,033 |
| Russia | 3 | 105 |
| Belgium | 7 | 233 |
| Spain | 8 | 184 |
| Australia | 5 | 206 |
| Denmark | 12 | 490 |
| Sweden | 10 | 210 |
| Norway | 6 | 805 |
| S. Korea | 10 | 589 |
| Turkey | 9 | 3,737 |
| Sri Lanka | 4 | 786 |
| Iran | 4 | 738 |
| Nigeria | 4 | 132 |
| Sudan | 5 | 140 |
| Taiwan | 5 | 414 |
| Saudi Arabia | 4 | 107 |
| Israel | 4 | 437 |
| Joined countries | 57 | 4,757 |
| Total | 821 | 74,299 |

Source: Kenya Investment Authority, 2011

Appendix 6: Factor Loading Analysis Test

| Indicator | Component factor loadings | | | | | |
|---|---------------------------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Being an entrepreneur would give me more satisfaction than being an employee | 0.849 | -0.155 | 0.028 | -0.227 | -0.204 | -0.022 |
| After working here I now realize there are many opportunities out there | 0.768 | -0.306 | 0.117 | -0.214 | -0.154 | 0.424 |
| My employer played a role in myself believe (efficacy) | 0.762 | -0.162 | -0.013 | -0.152 | -0.086 | -0.018 |
| Independence at work is important to me | 0.723 | -0.290 | 0.125 | -0.163 | -0.065 | -0.022 |
| I plan to start my own business in the next 3 - 5 years | 0.704 | -0.011 | 0.022 | -0.212 | 0.407 | 0.074 |
| I admire my employer and would like to be as successful | 0.416 | 0.726 | 0.416 | 0.351 | 0.026 | 0.232 |
| I admire my employer as a business person | 0.434 | 0.676 | 0.434 | 0.429 | 0.279 | -0.018 |
| I am confident I can cope with unexpected challenges | 0.137 | 0.647 | 0.137 | 0.283 | 0.390 | -0.155 |
| From what I have learnt from my employer, I'm confident I can develop my own products/service | 0.325 | 0.626 | -0.295 | 0.180 | 0.051 | -0.185 |
| I can do what my employer does even better | 0.229 | 0.603 | -0.273 | 0.424 | 0.107 | -0.011 |
| My employer has attributes I find appealing | 0.016 | 0.456 | 0.008 | 0.232 | -0.010 | -0.896 |
| I understand the organization procedures like purchasing, storage, sales | -0.352 | -0.050 | 0.788 | 0.427 | 0.074 | -0.081 |
| The experience acquired here is enough to help me run my own business | -0.180 | -0.050 | 0.772 | 0.151 | -0.080 | 0.137 |
| Using skills acquired I can train others to use similar production processes | -0.081 | -0.109 | 0.757 | -0.160 | 0.768 | 0.051 |
| With these skills acquired I would now be able to manage my own employees | -0.036 | -0.080 | 0.734 | -0.185 | -0.779 | -0.290 |
| I have acquired skills that can help | 0.001 | 0.768 | 0.716 | 0.022 | -0.896 | 0.325 |

| | | | | | | |
|---|--------|--------|-------|--------|--------|--------|
| me provide similar products/ service | | | | | | |
| Working with this company has made me acquire different management skills | 0.263 | -0.306 | 0.690 | -0.179 | -0.182 | 0.429 |
| I have undergone sufficient training since I started working | 0.062 | 0.229 | 0.628 | -0.152 | 0.160 | -0.154 |
| As I have been working here, I have acquired new technology | 0.072 | 0.001 | 0.129 | 0.778 | 0.129 | -0.180 |
| I have acquired sufficient knowledge on the technology used here | 0.403 | 0.351 | 0.352 | 0.729 | -0.022 | 0.022 |
| This technology is simple in utilization | 0.269 | 0.434 | 0.013 | 0.703 | 0.051 | 0.160 |
| I can confidently apply that technology elsewhere | 0.125 | -0.036 | 0.086 | 0.647 | 0.068 | -0.162 |
| If I started my own business, I would use the same technology I use here | -0.125 | 0.160 | 0.239 | 0.590 | -0.050 | -0.182 |
| The type of technology, machines and systems used here are available locally | -0.009 | 0.151 | 0.614 | 0.526 | -0.109 | -0.204 |
| I have become more innovative than before | -0.151 | 0.129 | 0.560 | 0.492 | -0.018 | 0.068 |
| I have good contacts with other businesses related to this firm | -0.194 | -0.182 | 0.416 | 0.656 | 0.816 | 0.427 |
| I have dealt directly with these suppliers/customers | 0.186 | -0.109 | 0.434 | 0.579 | 0.802 | -0.160 |
| my employer would give me business if I started my own business | -0.018 | 0.016 | 0.137 | -0.267 | 0.717 | 0.068 |
| I know many people doing similar businesses | -0.019 | -0.010 | 0.325 | -0.287 | 0.695 | 0.263 |
| I have a good knowledge of quality requirements by suppliers and end users | 0.244 | 0.416 | 0.229 | -0.352 | 0.675 | -0.152 |
| I have developed a good social network that can be utilized when I decide to be an entrepreneur | -0.002 | -0.179 | 0.016 | -0.180 | 0.603 | 0.283 |
| The firm uses local firms to supply raw materials/ buy their finished products | -0.030 | 0.051 | 0.275 | -0.155 | 0.584 | 0.378 |
| I have never considered saving to | -0.055 | 0.180 | 0.257 | -0.306 | 0.562 | 0.659 |

| | | | | | | |
|--|-------|--------|--------|--------|--------|--------|
| start my own business | | | | | | |
| I have other sources of income | 0.610 | -0.086 | 0.448 | -0.162 | 0.351 | 0.650 |
| If I'm careful with my salary, I can save enough to help me start my own business | 0.477 | -0.779 | 0.406 | -0.290 | -0.681 | 0.609 |
| It is possible to acquire a loan from my banker | 0.570 | 0.129 | 0.371 | -0.011 | 0.205 | 0.607 |
| The capital to start a business will be available since I am in employment | 0.194 | -0.352 | 0.399 | -0.686 | 0.012 | 0.591 |
| I have some form of savings and credit facilities in my place of work | 0.412 | 0.459 | 0.203 | -0.112 | -0.410 | 0.555 |
| I operate a bank account | 0.419 | 0.499 | 0.058 | 0.236 | -0.106 | 0.496 |
| In my opinion my employer made me have the desire to start my own business | 0.179 | 0.500 | 0.511 | -0.135 | -0.440 | 0.314 |
| Given an opportunity, I would be a supplier(or a customer/client) of this firm | 0.092 | 0.370 | 0.451 | 0.266 | -0.246 | 0.054 |
| Due to the network I have with other businesses, I'm able to identify business opportunities | 0.386 | 0.162 | 0.106 | 0.189 | -0.011 | 0.162 |
| I know of colleagues who have started their own businesses after leaving employment here | 0.368 | -0.155 | -0.306 | -0.162 | -0.290 | -0.295 |
