

**FROM EMPLOYEES TO ENTREPRENEURS:
A QUALITATIVE EXPLORATION OF CAREER
TRANSITIONS IN GHANA**

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**ASIA e UNIVERSITY
2025**

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EXPLORATION OF CAREER TRANSITIONS IN GHANA

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A Thesis Submitted to Asia e University in
Fulfilment of the Requirements for the
Degree of Doctor of Philosophy
June 2025

ABSTRACT

This study investigates the transition of employees into entrepreneurship within Ghana's challenging context of high business failure and youth unemployment. Although former employees often exhibit characteristics conducive to entrepreneurial success, many are discouraged by fears of failure, income instability, and systemic barriers. Existing research offers limited insight into their post-transition experiences and success factors. Employing a qualitative methodology, this study purposively sampled entrepreneurs who had transitioned from formal employment and sustained their businesses. Data collected through semi-structured interviews were analysed thematically. Findings show that key motivations for transition include job dissatisfaction, the pursuit of financial independence, desire for work-life balance, and recognition of market opportunities. Preparation strategies encompassed personal savings, skill development, market research, and pilot ventures. Participants leveraged prior work experience, professional networks, and managerial competencies to strengthen their enterprises. Critical success factors identified include sound financial management, excellent customer service, continuous learning, strategic marketing, staff empowerment, resilience, adaptability, and personal commitment. Based on these insights, the study proposes the Employees' Transition to Entrepreneurship (ETE) Model, outlining pre-transition, transition, and post-transition phases. The research extends the Theory of Planned Behaviour by emphasizing the intention-behaviour link and recommends context-specific policies such as targeted training, accessible financing, tax incentives, and regulatory reforms to support successful transitions.

Keywords: Employee, entrepreneurship, Ghana, transition, model

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy.

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(16 June 2025)

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the requirements for the Degree of Doctor of Philosophy is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

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A handwritten signature in black ink, appearing to read 'Kwadwo Ofose-Ampem Baidoo', written over a horizontal line.

Signature of Student:

Date: 16 June 2025

ACKNOWLEDGEMENTS

First and foremost, I give all glory and honour to God Almighty for His infinite grace, strength, and guidance throughout this academic journey.

I am deeply grateful to my supervisors, Associate Professor Dr. Tuan Mohd Rosli Tuan Hassan and the late Associate Professor Dr. Wan Sabri Hussin, for their unwavering support, insightful guidance, and constructive feedback, which were instrumental to the success of this research.

Special thanks to all the participants who generously contributed to this study — your support is truly appreciated.

To my beloved wife, Mrs. Linda Baidoo, and our children — Kwadwo, Akua, and Nana Ama — thank you for your endless love, patience, and sacrifices. Your unwavering support kept me going.

This thesis is dedicated to the cherished memory of my late father, Mr. Abu Yaw Baidoo, whose values, wisdom, and encouragement have always been my guiding light. You inspired me to dream big and pursue excellence.

I also dedicate this work to my amazing children — Kwadwo Ofori Adom Baidoo, Akua Pokuaa Afriyie Baidoo, and Nana Ama Nyamekye Baidoo. May it stand as a testament to the power of determination and a reminder that you can achieve anything you set your minds to.

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LIST OF ABBREVIATIONS

| | |
|-------|--|
| ETE | Entrepreneur Transition to Entrepreneurship |
| HCT | Human Capital Theory |
| MSME | Micro, Small and Medium Enterprise |
| PBC | Perceived Behavioural Control |
| SME | Small and Medium Enterprise |
| SN | Subjective Norms |
| SSNIT | Social Security and National Insurance Trust |
| TPB | Theory of Planned Behaviour |

CHAPTER 1

INTRODUCTION

1.0 Introduction

Entrepreneurship is a key driver of economic growth, innovation, and job creation, especially in developing countries like Ghana (Yang and Zhang, 2021). In the face of high youth unemployment and high business failure rates, it is increasingly seen as a viable solution to economic and social challenges in Ghana (Akoto, 2022; Bamfo, 2024).

Research has shown that that employees who transition into entrepreneurship often perform better than other entrepreneurs due to their wealth of experience, professional networks, and organizational knowledge (Jiao et al., 2022). Despite this potential, many are hesitant to make the transition because of income insecurity, loss of job stability, and structural challenges in Ghana's business environment (GEM, 2022).

This study explores the transition of employees to entrepreneurship in Ghana, focusing on their motivations, preparation strategies, and the role of prior work experience in supporting business success. It also identifies critical survival factors and culminates in the development of a Model for Employee Transition to Entrepreneurship (ETE) Model, to support individuals who are considering this career shift.

This chapter begins by outlining the study's background, followed by the research problem, objectives, and questions. It also presents the study's significance, operational definitions, scope and concludes with a summary of the chapter structure.

1.1 Background of the Study

1.1.1 Ghana and its Economy

Ghana is a West African country with a population of approximately 34.4 million (World Bank, 2024) and shares borders with Côte d'Ivoire, Burkina Faso, and Togo. Over the past two decades, it has solidified its democracy under a multi-party system (World Bank, 2024). The country presents a dynamic yet complex economic environment that serves as the backdrop for this study (International Monetary Fund, 2025). Ghana's economy is among the largest in the region, with a structure dominated by the services sector, which accounts for approximately 52% of the country's GDP. The industrial sector, the second largest, contributes 26%, followed by agriculture, which also contributes 22% (Trading Economics, 2025). In 2024, the country experienced a 5.7% growth in GDP (International Monetary Fund, 2025).

Despite its remarkable growth, the country faces serious macroeconomic challenges, including high public debt and inflation, which have worsened living standards, thus pushing more people into hardship. The World Bank (2025) projects that the poverty rate (at the lower-middle-income country line) will continue to rise to a potential level of 51.2% by 2027. Multidimensional poverty, which captures deprivations in health, education, and living standards, affected 46.7% of the population in 2022 (African Development Bank, 2024). This combination of jobless growth, rising poverty, and high inflation has created a powerful impetus for citizens to seek alternative means of livelihood outside the formal wage economy. It is therefore within this challenging yet aspirational context that entrepreneurship emerges not merely as a career choice but often as a necessary strategy for economic survival and advancement.

1.1.2 High Business Failure Rates

Globally and in Africa, new ventures face very high failure rates. For example, a Global Entrepreneurship Monitor (GEM) study indicates that globally, about 30% of new businesses fail within two years and about 50% fail within five years (GEM, 2023). In Africa, the picture is even starker, as about 80% of African MSMEs collapse within five years of startup (Faminu, 2022). Most African micro-enterprises never outgrow their founders and remain fragile. The reasons for business failure in Africa encompass the universal challenges of market fit and cash flow, but are compounded by severe, continent-specific structural challenges. These include significant infrastructure deficits, such as poor roads, unreliable electricity, and inadequate internet connectivity; complex regulatory environments; and a fragmented ecosystem support system, which limits access to mentorship and funding (Emoekpere, 2025; Mwangi, 2025).

The entrepreneurial landscape in Ghana exhibits similarly high attrition rates. It is estimated that approximately 70-75% of new ventures in Ghana collapse within their first three to five years (Asare et al., 2024). The causes of this high attrition rate in Ghana are a microcosm of broader African issues, but with a local intensity. The significant factors consistently identified in research include severely limited access to finance, coupled with prohibitively high interest rates, poor managerial and entrepreneurial skills, an unfavourable regulatory environment, and macroeconomic instability (Akoto, 2022; Asare et al., 2024).

Data from the Social Security and National Insurance Trust (SSNIT), the statutory body responsible for registering establishments with employees for social security purposes, further highlights the significant number of business closures compared to the number of newly created establishments within a single year.

Table 1.1: New and Defunct Establishments Data from SSNIT, Ghana

| Year | New Establishments | Defunct Establishments | Total Active Establishments | % Defunct/New Establishments |
|------|--------------------|------------------------|-----------------------------|------------------------------|
| 2020 | 12,389 | 18,404 | 62,472 | 148.55% |
| 2021 | 15,469 | 1,963 | 75,978 | 12.69% |
| 2022 | 16,149 | 8,354 | 83,773 | 51.73% |
| 2023 | 16,123 | 11,256 | 88,640 | 69.81% |
| 2024 | 15,049 | 13,790 | 89,899 | 91.63% |

Note: From SSNIT (2025)

1.1.3 High Youth Unemployment

High youth unemployment is a common problem worldwide, particularly in Africa. The International Labour Organisation (ILO) reported a global youth unemployment rate of 13% in 2023, representing nearly 65 million young people aged between 15 and 24 (International Labour Organisation, 2024). The impact of this situation is particularly acute in Africa, which has the world's youngest and fastest-growing population. In sub-Saharan Africa, the youth unemployment rate was 8.9% in 2023, and an estimated 62 million African youths (26% of those aged 15–24) were not in education, employment, or training (Ekugo, 2024; ILO, 2024).

The Ghanaian situation reflects that of the continent as a whole. A recent analysis by the African Development Bank (2024) placed Ghana's youth unemployment rate at 7.2%, with extremely high rates among young women (36.7%) compared to young men (29.3%) (African Development Bank, 2024). These figures reflect a serious challenge for social and economic development, since unemployed youth are at risk of poverty and disengagement.

The two crises of high business failure and high youth unemployment are deeply intertwined. The lack of sufficient, high-quality jobs acts as a potent "push" factor that compels many young Ghanaians into what is often termed "necessity-

driven" entrepreneurship. They start businesses not because they have identified a clear market opportunity, but as a last-resort alternative to unemployment. These necessity-driven ventures typically begin with inadequate capital, limited skills, and weak networks, making them exceptionally vulnerable to the harsh business environment. Consequently, they fail at a high rate and are thus unable to create the sustainable jobs that are needed to absorb new entrants into the labour market. This, therefore, perpetuates the cycle of unemployment. There is thus a critical need to identify pathways to more sustainable, "opportunity-driven" entrepreneurship, which may be more characteristic of individuals who transition from established careers into entrepreneurship.

1.1.4 Entrepreneurship and Poverty Alleviation

In the face of the dual challenges of business failure and youth unemployment, entrepreneurship has been widely championed by governments, development partners, and academics as a primary tool for economic growth and poverty reduction (Akoto, 2022; Bamfo, 2024). The link between a vibrant entrepreneurial sector and positive socio-economic outcomes is well-established in global development literature. Entrepreneurship fosters innovation, drives competition, and creates dynamic change within an economy (Yang & Zhang, 2021; Bamfo, 2024). Small and Medium-sized Enterprises (SMEs), which are the primary output of entrepreneurial activity, are critical. In Africa, SMEs account for about 90% of all businesses and provide 60% of employment (Brookings Institution, 2024). They therefore serve as a critical pathway out of poverty by improving individual incomes and enhancing community living standards.

In Ghana, this dynamic is even more pronounced. The SME sector forms the backbone of the national economy, accounting for approximately 90% of all businesses, employing around 85% of Ghana's workforce, and contributing about 70% to the nation's GDP (Ministry of Finance, 2024). Recognising this potential, successive governments and international partners have launched numerous support initiatives. These include the National Entrepreneurship and Innovation Plan (NEIP), which provides targeted support to aspiring entrepreneurs, and the World Bank-supported Ghana Economic Transformation Project (GETP), which has facilitated private sector investment and provided capacity-building and financial assistance to thousands of SMEs, including many women-owned businesses (Ukoha, 2024; World Bank, 2025). Unfortunately, despite their good intentions, these policy initiatives have not yielded the desired results, as they are often poorly implemented and incorrectly targeted (Adu-Gyamfi et al., 2023).

1.1.5 Challenges Facing Entrepreneurs

Despite its immense potential, entrepreneurship everywhere is fraught with many obstacles. Common global challenges include financing difficulties, regulatory barriers, poor infrastructure, and limited market access or networks (World Bank, 2021; Abor & Quartey, 2023). These issues are more pronounced in developing countries. A recent Ghanaian government report highlights these same issues as the four biggest inhibitors of SME growth in Ghana, which are: access to finance, markets, limited business development support, and a complex tax/formalisation regime (Ministry of Finance, 2024). In Africa more broadly, these issues are compounded by structural problems, including weak institutions, policy instability, and underdeveloped infrastructure (Abor & Quartey, 2023; Akpan et al., 2024). African entrepreneurs, therefore, often face higher hurdles in accessing credit, utilities, and

distribution. Financial literacy and managerial skills are also constraints, as many new African business owners lack experience in accounting, marketing, or planning (Mensah et al., 2023). In Ghana, studies and policymakers consistently highlight that gaps in technical and managerial training, high interest rates, and frequent power outages are the leading causes of business collapse (Bamfo, 2024; Ministry of Finance, 2024).

1.1.6 Transition from Employment to Entrepreneurship

The hostile Ghanaian business environment, characterised by high failure rates among necessity-driven entrepreneurs, demands a critical examination of alternative pathways that may lead to more sustainable venture creation. One such pathway is the transition from formal employment to entrepreneurship. Employees who make this transition usually possess a unique bundle of advantages that directly mitigate the most common causes of startup failure (Agarwal et al., 2018; Quinto et al., 2025). The human capital (industry knowledge, managerial skills), social capital (professional networks), and financial capital (personal savings) acquired during their careers directly mitigate the most common and potent causes of business failure. This pathway, therefore, represents a more calculated, risk-mitigated, and potentially more sustainable model of entrepreneurship.

In Africa, a study by Okumu et al. (2022) using Enterprise Survey data across 30 African countries, including Ghana, found that firms led by entrepreneurs with prior formal employment create jobs at a rate 1.5 times higher than those led by necessity-driven entrepreneurs. These firms also have a 12% lower job destruction rate, thus indicating higher survival and stability, which is the result of the management skills and industry knowledge that employees acquire during their employment. The African Development Bank (2021) also notes that entrepreneurs with formal education and

prior work experience are 25% more likely to sustain their businesses beyond three years in sub-Saharan Africa, as they leverage professional networks and technical expertise to overcome challenges such as funding and market access. In Ghana, although formal data is limited, Ghanaian SME experts note that entrepreneurs who have acquired crucial business skills, such as finance, marketing, and operations, through their previous employment, coupled with their regular salaries, usually help their new ventures overcome early risks (Curtin, 2018; Ministry of Finance, 2024).

1.1.7 Reluctance Among Employees to Transition to Entrepreneurship

Despite the compelling evidence of better survival rates and performance, many employees are hesitant to transition into entrepreneurship. They often cite the fear of income instability, job security loss, and the unpredictability of the business environment as their major deterrents (Chris-Asoluka, 2024). According to GEM (2023), nearly 42% of potential entrepreneurs globally cite fear of failure as a key reason for not starting a business.

In Africa, particularly in Ghana, where social security and unemployment support are limited, the risks are more pronounced. The cost of failure could be catastrophic and thus deter risk-averse employees. A further lack of access to reliable financing, business training, and mentorship discourages formal sector employees from transitioning (Padi & Musah, 2022; Chris-Asoluka, 2024).

The Global Entrepreneurship Monitor (GEM) 2022 report reveals that only 12% of Ghanaian employees express an intention to start a business within three years, often citing fear of failure and a lack of capital as their main deterrents (GEM, 2022). According to the Enterprise Bureau (2022), cumbersome business registration processes, bureaucratic hurdles, and a lack of information deter 50% of potential entrepreneurs, including formal sector employees, from formalising their businesses.

These factors highlight the significant disconnect between entrepreneurial potential and actual transition behaviour and thus underscore the need for targeted research and policy interventions to create safer pathways for employees to pursue entrepreneurship.

1.2 Statement of Problem

Entrepreneurship is a key driver of economic growth globally and is vital for job creation and poverty reduction in Ghana, where small and medium-sized enterprises (SMEs) contribute 70% to the country's GDP (Ministry of Finance, 2024). However, 75% of new businesses in Ghana fail within five years, hindering sustainable growth and raising questions about what drives entrepreneurial success (Akoto, 2022; Asare et al., 2024; Bamfo, 2024).

A potential pathway to break this cycle lies with employees who transition to entrepreneurship (ETE). Research indicates that prior employment provides human capital, including technical and managerial skills, professional networks, and financial resources, which mitigate business failure risks (Agarwal et al., 2018; Jiao et al., 2022; Quinto et al., 2025; Anwar & Shah, 2021). In Ghana, employees gain training in financial management, marketing, customer service, and strategic planning, along with networks that support business growth (Onwe et al., 2021; Abane et al., 2024; Udimal et al., 2024).

Employees who transition into entrepreneurship can be viewed as calculated risk managers rather than mere risk-takers since they leverage the security of their paid employment to test their business ideas, build networks, and accumulate resources, thereby de-risking their ventures before making a complete transition. This approach accounts for their high business survival rates and thus presents a potentially more sustainable and strategic model of entrepreneurship.

Despite this potential, Ghanaian employees are reluctant to pursue full-time entrepreneurship. This hesitancy stems from a preference for the stability of salaried jobs over the risks associated with entrepreneurship, particularly among public sector workers who value secure jobs that offer pension benefits (Amankwah-Amoah et al., 2018; Adu-Gyamfi & Gyensare, 2023). Studies show a negative link between risk aversion and entrepreneurial intentions in Ghana, with employees prioritising income security (Adu-Gyamfi & Gyensare, 2023). The Global Entrepreneurship Monitor (2024) reports that 52% of Ghana's working-age population (18–64 years) fear business failure, up from 47% in 2019. Additionally, 60% of formal sector employees prioritise a stable income over entrepreneurial risks. Similarly, Padi and Musah (2022) found that only 15% of employed graduates plan to start a business within five years, citing risks such as market competition and economic instability. The World Bank (2020) also notes that 45% of employed youth in Ghana's formal sector feel unprepared for entrepreneurship due to inadequate skills, with only 20% confident in launching ventures because of limited management or market knowledge.

This paradox, where employees with high potential for success hesitate to pursue entrepreneurship in Ghana, reveals critical gaps in the literature. Despite compelling theoretical and empirical evidence supporting the benefits of employee transition to entrepreneurship in developed markets, there is a profound lack of research on this specific phenomenon within the African context, particularly in the challenging Ghanaian business environment. Most studies on Ghanaian entrepreneurship treat entrepreneurs as a homogenous group and overlook the unique advantages of former employees (Asare et al., 2024; Enterprise Bureau, 2022). Little is known about how former employees perform as entrepreneurs in Ghana or how their employment experiences impact their business success (Nyström, 2021).

Additionally, research on employee-to-entrepreneur transitions is largely based in North America or Europe, where economic and cultural contexts differ significantly from Ghana's high-friction environment (Iftikhar et al., 2020; Quinto et al., 2025; Huynh, 2024; Gish & Nielsen, 2023). Consequently, it is unclear whether the advantages observed in developed economies are applicable in Ghana, where challenges such as limited funding and infrastructure are substantial (Kumar et al., 2020).

Additionally, existing models of the employee-to-entrepreneur transition often fail to capture the full cycle of this journey comprehensively. Models such as Lee's (2021) cognitive mapping approach or Lussier's (1995) success prediction model tend to focus on specific aspects but do not adequately address the entire cycle involving pre-transition, transition, and post-transition factors, especially within an African context.

This study's integrated theoretical framework, which combines the Theory of Planned Behaviour (TPB), Human Capital Theory (HCT), and Push-Pull theories, is intentionally designed to address noted limitations within each. The TPB, while robust in predicting intention, struggles with the intention-behaviour gap, where intentions do not always translate to action (Roos & Botha, 2022; Gieure et al., 2020). Quantitative applications of TPB can confirm the presence of intention but often fail to capture the complex, lived experiences that facilitate or hinder the transition from intention to sustained entrepreneurial behaviour (Longe, 2024). Similarly, Human Capital Theory explains what resources are valuable, but it is less adept at explaining why individuals with high human capital may still be reluctant to become entrepreneurs. Push-pull theories, while helpful, also oversimplify the transition into a