

ALTERNATIVE PROCESSES OF HUMAN CAPITAL FORMATION FOR DEVELOPING MARKET ENTREPRENEURS

Individual-level human capital – a person’s knowledge, skills, abilities and other attributes – plays a central role in opportunity discovery/creation, evaluation, and exploitation (Alvarez & Barney, 2014). It also influences entrepreneurial success –be conceptualized as size, growth, profitability, or survival (Unger, Rauch, Frese, & Rosenbusch, 2011).

There are many sources of human capital for entrepreneurs, including formal education, work experience, exposure to entrepreneurial communities, on the job training, friends, family, and competitors (e.g. Davidsson & Honig, 2003). Perhaps because so many sources are accessible, current theorizing in the developed markets context treats human capital as an input into entrepreneurship and predicts which inputs work best for what (Unger et al., 2011). In developing market contexts, however, many of these inputs are missing, and the question is often asked differently – what are the bare minimum of literacy, skills, or educational supports that one needs to become an entrepreneur or persist at entrepreneuring despite poverty, scarcity and setbacks (Branzei & Abdelnour, 2010). Both approaches, however, understand human capital as fixed: human capital is often given to the entrepreneurs, who make the best of what they’ve got.

Instead of treating human capital as static, our study reveals the formation of human capital as a proactive undertaking. We suggest, and show, how entrepreneurs themselves seek and find alternative paths to develop their human capital, especially when key sources are missing, insufficient, or unhelpful for the opportunities at hand.

We put forth a view of human capital formation as a complex and dynamic process. Most significantly, the ongoing nature of entrepreneuring in developing markets constantly reshuffles and replenishes the sources and kinds of human capital that are accessible. Thus, we model the process by which entrepreneurs replace and repurpose *what’s missing* (e.g. school, formal

degrees) with *what's there* (e.g. entrepreneurial family, working past cheating and stealing, experience in the marketplace). Unlike accounts of bricolage, which emphasize creative combinations of the little that is there, we propose a theory of capitalization, which emphasizes how entrepreneurs acquire and continuously upgrade their own human capital, as they need it.

To get at the rich, complex, interwoven and path-dependent nature of human capital capitalization in the context of entrepreneurship, we take a qualitative approach that captures, through two sets of interviews, the life-journeys of entrepreneurs. The first set was conducted in 2012, and is of 51 individual entrepreneurs in three African countries, Kenya, Rwanda, and Ghana, while the second set is of 47 interviews, conducted in Ghana in 2013.

Current theory surrounding sources of human capital in the entrepreneurial context serves as a starting point for theorizing from this data set, but given the paucity of process-based research on human capital formation, especially in extreme conditions, much of our theorizing is inductive. Our goal is to isolate key processes by which entrepreneurs continue to grow their human capital, especially when traditional sources are not available, or even denied.

This study contributes a process-based view of self-capitalization of human capital in developing markets where traditional sources of human capital are lacking. By inducing the process of self-capitalization that entrepreneurs undertake, we extend the literature on entrepreneurship by presenting a different angle of the entrepreneur, not merely as resource-poor, but instead as purposeful agents who keep finding new sources to substitute for what is missing.

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