

ASSESSING THE IMPACT OF ENTREPRENEURIAL INTENTION ON SELF-EMPLOYMENT: EVIDENCE FROM GHANA

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Abstract

This research used quantitative data in assessing the impact of entrepreneurial intention on self-employment among a cross section of university students in Ghana. The research design implemented consists of an experimental, ex-ante/ex-post, control and longitudinal repeated measures, with a total of up to 254 matched pairs. The theory of planned behavior was employed as the main theoretical model. The results of the binary logistic regression indicate that entrepreneurial intention increases the probability of becoming an entrepreneur. This study has added to further development and application of the theory of planned behavior by supporting the link between entrepreneurial intention and self-employment.

Keywords: Entrepreneurship; entrepreneurial intention; self-employment; theory of planned behavior; entrepreneurial event model

INTRODUCTION

Entrepreneurial intention is a topic widely discussed by many researchers over the last decades (N. Krueger & Carsrud, 1993; Linan & Chen, 2009). Intentions are the single best predictor of any planned behavior, including entrepreneurship (N. Krueger & Carsrud, 1993). A strong association exists between entrepreneurial intentions and actual entrepreneurial behavior (N. Krueger & Carsrud, 1993). In the Shapero-Krueger model, intention is explained by perceived

desirability and perceived feasibility (N. F. J. Krueger, Reilly, & Carsrud, 2000). When studying intentions, (Bird, 1988) was one of the first authors to emphasize the importance of intentions. On the basis of qualitative data her model suggests that intentions develop from rational and intuitive thinking, which in turn are affected by the entrepreneur's social, political, and economic context, and his/her perceived history, current personality, and abilities.

However, according to other studies, (Ajzen, 1991) theory of planned behavior (TPB) has been effective in explaining entrepreneurial intention and activity (Goethner, Obschonka, Silbereisen, & Cantner, 2012). (Ajzen, 1991) explains intentions as attitudes towards behavior, subjective norms, and perception of behavioral control. The TPB model suggests that people intend to perform a specific behavior if their personal assessments of the questioned behavior are positive, if they think their important referents agree with it, and if they assume that the required resources and opportunities are available (Ajzen, 1991). Positive attitudes towards entrepreneurship will positively affect the personal attractiveness of starting one's business as more favorable attitudes justify more favorable perceptions of desirability of the behaviors related to the goal of becoming an entrepreneur (Fitzsimmons & Douglas, 2011). Therefore, the theory of planned behavior represents the theoretical foundation for this research.

A distinctive benefit of the general understanding of entrepreneurial behavior is the variable of propensity to act in the entrepreneurial event model (EEM). This variable explains why someone who is capable of and desires to become an entrepreneur never becomes one, as the individual lacks the propensity to act on the behavior. (Shapero & Sokol, 1982) did not mention this variable explicitly in their original model; however, it was solved and included in further developments of the entrepreneurial event model (N. Krueger & Carsrud, 1993; N. F. J. Krueger et al., 2000). Of great interest for the explanation and understanding of processes that lead to an entrepreneurial event, the entrepreneurial event model is focused "on the issue of new business creation and not on the evolution towards the adoption of an entrepreneurial behavior in general" (Fayalle, Gailly, & Lassas-Clerc, 2006: p. 707). This disqualifies the entrepreneurial event model as a theoretical foundation for this research, as its purpose is to examine the development of entrepreneurial intention on self-employment over time.

THEORETICAL PERSPECTIVE AND LITERATURE REVIEW

The Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (Ajzen, 1991), was derived from the Theory of Reasoned Action (Fishbein & Ajzen, 1975), which states that behavioral intentions are formed by one's attitude toward that behavior and one's subjective norms (i.e. influence by significant others e.g. parents, peers, role models). In turn, both attitudes and subjective norm are influenced by

evaluations, beliefs, and motivation formed through one's unique individual environments. An extension to the TRA, the TPB assumes that most human behavior results from an individual's intent to perform that behavior and their ability to make conscious choices and decisions in doing so (volitional control). The TPB of (Ajzen, 1991) presents intention dependent upon three factors:

1. The individual's attitude toward the behavior (do I want to do it?)
2. Subjective norm (do other people want me to do it?) and
3. Perceived behavioral control (do I perceive I am able to it and have the resources to do it?)

Combined, these three factors represent an individual's actual control over behavior and are usually found to be accurate predictors of behavioral intentions; in turn, intentions are able to account for a substantial proportion of variance in behavior (Ajzen, 1991).

Attitude is a concept comprising many aspects and does not have a single consistent definition. Typically, it is defined as a psychological tendency expressed by evaluating a particular entity within some dimension (Eagly & Chaiken, 1993). Yet (Ajzen, 1991, 2001) argues that attitudes always occur as a matter of certainty; and so specific attitudes toward a specific activity, as opposed to general attitudes, must be studied. According to the TPB, attitude towards the act refers to the degree to which a person has a favorable or unfavorable evaluation or appraisal of behavior in question. In general, the more favorable the attitude towards the behavior, the stronger the individual's intention to perform it should be (Ajzen, 1991).

Additionally, perceived behavioral control is defined in the TPB as people's perception of the ease or difficulty of performing the behavior of interest(Ajzen, 1991). Moreover, perceived behavioral control is assumed to reflect past experiences as well as anticipated impediments and consequences. Individuals usually choose to perform behaviors that they think they will be able to control and master. It is based on (Bandura, 1982) social learning theory and on the concept of perceived self-efficacy.

Finally, the concept of subjective norm represents the belief in how people closest to you value the desirability of a particular behavior (Ajzen, 1991). In other words, it has to do with the perceived social pressure to perform or not to perform the behavior. If an individual perceives that people they revere endorse or disapprove the behavior, they are more or less likely to intend to perform respectively. In this sense, subjective norms measure the perceived social pressure from family, friends or significant others (Ajzen, 1991). It basically captures two dimensions; normative beliefs and the motivation to comply with these beliefs (Ajzen & Fishbein, 1980). According to (Moriano, Gorgievski, Laguna, Stephan, & Zarafshani, 2012), in the first case, normative beliefs concern the perceived probability that important referent individuals or

groups will approve or reject a given behavior; they set the norm that specifies how the subject should behave. The second component, motivation to comply reflects a person's willingness to conform to these norms. In other words, people behave in keeping with the expectation of important referents. Depending on the social environment, these pressures can become a trigger or a barrier to the development of an entrepreneurial career.

Entrepreneurial intention and hypothesis development

As indicated above, intention models belong to the umbrella of social cognitive theory proposed and developed by Bandura (Bandura, 1986). Within this umbrella, intention models contribute to the area of predicting behavior. Intentions represent "a person's motivation to make an effort to act upon a conscious plan or decisions" (Conner & Armitage, 1998: p. 1430). Entrepreneurial intention is hence a person's motivation to make a conscious plan to perform the behavior of setting up a business. Thompson defines entrepreneurial intention as "self-acknowledged conviction by a person that they intend to set up a new business venture and consciously plan to do so at some point in the future" (Thompson, 2009: p. 676).

Entrepreneurship is seen as a good example of planned intentional behavior and therefore applicable for intention models (Autio, Keeley, Klofsten, Parker, & Hay, 2001; Bird, 1988; Fayolle, 2006; N. Krueger & Carsrud, 1993; Shapero & Sokol, 1982). Due to the applicability of the entrepreneurial intention concept, it is often used as a measure of the impact of entrepreneurship programs. Also, from a researcher point of view, it is not always practicable to wait a number of years to examine how many students eventually founded a real business. Taking entrepreneurship intention as a measure of the impact of entrepreneurship education has the benefit of measuring the immediate impact of a program. The longer the post-measurement of an entrepreneurship program is delayed, the greater the measurement bias from contextual and time effects will be. It will be more difficult to isolate the role of a single factor like entrepreneurship program in the business creation process (Hytti & Kuopusjarvi, 2004). This research therefore uses entrepreneurial intention as it is a highly validated concept and capable of showing the impact of an entrepreneurship program.

According to (Krueger & Carsrud, 1993: p. 5), "intention is the best predictor of planned behavior". This means that, theoretically entrepreneurial intention should predict self-employment. (Kolvereid & Moen, 1997) surveyed a Norwegian university and differentiated between those who graduated with majors in entrepreneurship with those who graduated without entrepreneurship majors. Their study revealed that those with entrepreneurship majors had higher entrepreneurship intention and had gone ahead to establish more businesses compared to those with other majors. Their results were, however, ex-post observations and

therefore prone to self-selection bias. However, the link between entrepreneurial intention and self-employment was validated by (Lorz, 2011) in his PhD dissertation to the School of Management, Economics, Law, Social Sciences and International Affairs of the University of St. Gallen. He found that there was a positive relationship between entrepreneurial intention and self-employment. He argued that those who are interested in setting up their own businesses may be strengthened in their decision to become entrepreneurs, especially after undertaking courses in entrepreneurship. Therefore, we argue that entrepreneurial intention is a significant predictor of future self-employment, that is, the higher the entrepreneurial intention, the higher the probability of becoming self-employed.

Hypothesis: *Higher entrepreneurial intention is likely to lead to higher probability of becoming self-employed.*

METHODOLOGY

Research design

A quantitative method was employed in order to allow for a mix of research questions to test the hypothesis in a relatively new and interesting field of research. A deductive research approach with a quasi-experimental research design was selected. The approach was selected because of the advantage of setting up pre-posttest design (Cohen & Manion, 1989) to measure the development of entrepreneurial intentions of individual participants in the entrepreneurship program from the beginning to the end of the program. A quasi-experimental (incubation clinic students) and control (non-incubation clinic students) with ex-ante/ex-post basis up to six months repeated measures research design and matched pairs was conducted.

Sample description

The eligibility criterion for the sample in the experimental group comprises university students who were taking part in business incubation clinics while the sample in the control group was randomly selected from those who were not taking part in an entrepreneurship program or business incubation clinics. Samples for the experimental group and control group were 76 and 178 respectively.

Variable operationalization

The variables consist of the constructs of the theory of planned behavior (attitude towards behavior, social norms, perceived behavioral control and the key dependent variable 'entrepreneurial intention'). While developing and following the steps to design the questionnaire, much effort was made in identifying existing and tested scales in studies with

similar focus (Autio et al., 2001; Chen, Greene, & Crick, 1998; Kolvereid & Moen, 1997; N. Krueger & Carsrud, 1993; Linan & Chen, 2009; Tkachev & Kolvereid, 1999). Meanwhile, scales for our constructs were adopted from the study by (Linan & Chen, 2009) and applied to measure the development of entrepreneurial intention during the entrepreneurship education program. In line with the hypothesis, we tested whether entrepreneurial intentions at ex-ante already predict status of being self-employed at ex-post. Therefore, a binary logistic regression was conducted on the predictive power of entrepreneurial intention and the attitudinal constructs on the dichotomous variable, self-employed.

ANALYSIS AND RESULTS

Table 1. Binary logistic regression models of ex-ante predictors on self-employed at ex-post (N=254)

	Self-employed ex-ante			Self-employed ex-post		
	(B)	Wald	Odd ratio	(B)	Wald	Odd ratio
Entrepreneurial intention ex-ante	1.878	16.521***	5.845	1.113	7.285**	3.237
Cox and Snell R ²			.158			.107
Nagelkerke R ²			.411			.312
Overall Accuracy			92.5			93.5
Omnibus Test Model Coefficients			41.586***			13.747***
Events per Predictor			18			12

*p≤0.05, **p≤0.01, ***p≤0.001

Table 2. Hierarchical binary logistic regression models of ex-ante predictors on self-employed at ex-post (254)

	Self-employed ex-ante				Self-employed ex-post			
	(B)	Wald	Sign	Odd ratio	(B)	Wald	Sign	Odd ratio
Step 1								
Entrepreneurial intention ex-ante	1.736	15.607	.001***	5.836	2.1	12.543	.001***	8.587
Step 2								
Attitude Toward Behavior ex-ante					-236	.166	.684	.797
Subjective Norm ex-ante					-497	3.107	.076	.455

Perceived Behavioral Control ex-ante	.240	.535	.450	1.151
	Step 1		Step 2	
Cox and Snell R ²	.137		.252	
Nagelkerke R ²	.402		.417	
Overall Accuracy	92.7		92.5	
Omnibus Test Model Coefficient	40.175		43.343 ^{***}	

p≤0.05, **p≤0.01, ***p≤0.001 Values in step 2=Beta Coefficients

DISCUSSIONS

Both models in the binary logistic regression model strongly support entrepreneurial intention as increasing probability of becoming an entrepreneur. An increase in 1 in the entrepreneurship intention (EI) scale would reflect a 5.85x higher probability of becoming an entrepreneur in model 1 and 3.24x higher chance in model 2. Both models are significant ($p \leq 0.001$) and represent a Nagelkerke of .411 in model 1 and .312 in model 2. In both models only one predictor was included in order to follow the sample size rule of thumb of 10 events per predictor (Peduzzi, Concato, Kemper, Holford, & Feinstein, 1996).

In table two, the sample size recommendations were neglected in order to test the impact of the attitudinal constructs and entrepreneurial intention on self-employment in the ex-post in a hierarchical binary logistic model. This model exhibits the same results. Only entrepreneurial intention was significant. From an empirical point of view, our research results seem to indicate that the impact of entrepreneurial intention on the variables of planned behavior tend to supersede the impact of the training itself. In terms of theoretical implications, our results confirm the value of the concept of entrepreneurial intention and its operationalization in evaluating entrepreneurship education programs (EEPs). Therefore, our research brings an original contribution to the theory of planned behavior when applied in the field of entrepreneurship education, and contributes to a growing body of literature that details the important factors that limit and bind the effective translation of entrepreneurial intentions into action.

LIMITATIONS AND FURTHER STUDY

Our study has some limitations for which we propose suggestions for further research. Future studies need to address the possibility of self-selection bias, since students who voluntarily engage in entrepreneurship are more likely to be thinking about starting a business. However, we do not have the possibility of dealing with a compulsory program to avoid that bias. Another

limitation of this study was that participants did not fill in a questionnaire before entering the course but this information would have been useful to test the impact of the program according to the initial level of intention. Future research can address this gap of capturing students' entrepreneurial intentions before they enroll into the EEP. From the theoretical point of view, our study, as in many others used a model borrowed from the psychology field, that is, the theory of planned behavior which is initially designed for the study of individuals. Applying it to groups of individuals introduces a degree of heterogeneity that seems to affect its validity. This is because the notions of prior intention cannot be theoretically defined for a heterogeneous group. For instance, individuals can be defined as having or not having role model, but for heterogeneous groups this cannot be properly defined. Future research may challenge this status quo and dominant theoretical foundation by either trying to situate this theory appropriately in the context of group heterogeneity in relation to entrepreneurial intention or exploring the possibility of introducing a new theory to deal with these dynamics.

CONCLUSION

Entrepreneurship intention is seen across a large body of research literature as an important topic for research since it is grounded in the proposition that psychological intention is a good predictor of subsequent action (Henley, Contreras, Espinosa, & Barbosa, 2017). The TPB has been used in the context of entrepreneurship research to identify antecedent constructs for intentions, particularly in the context of understanding career choices of young people. Entrepreneurial intentions lie at the foundation of entrepreneurial process. Yet the available evidence suggests that not every entrepreneurial intention is eventually transformed into actual behavior. Therefore, higher education institutions, particularly in emerging economies such as Ghana may seek to raise entrepreneurial intentions among the student population.

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