Determinants of Entrepreneurial Intention Among Millennial Generation

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Abstract

Entrepreneurs are the "engines of economic growth". They have brought enormous positive contributions to a country's economic growth and social development. Among the contributions are such as innovation and job creation. As entrepreneurship is synonymous with self-employed, it is believed to be an effective strategy in handling the issue of employability, particularly among the youths. Understanding of the factors that predict entrepreneurial intention is crucial because entrepreneurial behavior is a result of intention. Though entrepreneurial intention has been widely studied by scholars from overseas, the question of their applicability in the local setting still remains. To date, intention of young generation, specifically the millennial generation in our country to embark on entrepreneurship continues to be unclear. As such, this conceptual paper proposes a research framework by extending Ajzen's (1991) theory of planned behavior (TPB) to study entrepreneurial intention among millennial generation. Specifically, knowledge, experience and ties are the independent variables; meanwhile, attitude, social norm, perceived behavioral control and personality traits act as the mediating variables.

Keyword: Entrepreneurial intention, Entrepreneurship, Millennial generation, Theory of planned behavior

1. Introduction

Entrepreneurs play an important role in bringing in economic changes and advancements to a country’s economy. The contributions of entrepreneurs towards economic development have been discussed by Baron and Shane (2008), who have named the entrepreneurs as “engines of economic growth”.

No doubt, entrepreneurs have contributed significantly to economy, society as well as human kind. Specifically, job creation has been regarded as one of major contributions of entrepreneurs. As issue of graduates’ employability has received much attention from Malaysian government lately; embarkation on
entrepreneurship is believed to be a workable strategy for handling the issue. It is because entrepreneurship, self-employed and start-a-business can be regarded as synonymous (Schwarz et al., 2009; van Gelderen et al., 2008). Self-employment, or simply entrepreneurship, is becoming popular as a career choice (van Gelderen et al., 2008). Recently, entrepreneurship has been promoted as an attractive career alternative among students all over the world (Schwarz et al., 2009). The same phenomenon also takes place in Malaysia as well. In fact, various efforts have been put forward by Malaysian government to encourage entrepreneurial activities, especially among the youths.

Researchers have also agreed that entrepreneurs are made and not born (Boulton and Turner, 2005; Mellor et al., 2009), in which entrepreneurs can actually be trained. Thus, it is important to look at the factors that make someone into entrepreneur and the issues related to the development of entrepreneurs (Kadir et al., 2011). As proven, entrepreneurship activities are intentional based (Krueger et al., 2000), in which entrepreneurs started with some extent of entrepreneurial intention before they turned out to become ones. In other words, people will not become an entrepreneur in a sudden without certain triggers and most importantly, intention.

According to Kobia and Sikalieh (2010), entrepreneurship is relatively a young field of study and suggested that researches should be carried out for this matter. As such, researching the field of entrepreneurship is still considered vital and practical. Moreover, the traditional trait theory may not be applicable to current entrepreneurs, because researchers have unanimously agreed that entrepreneurs are made, not born (Boulton and Turner, 2005; Mellor et al., 2009). In addition, Schwarz et al. (2009) have also pointed out that in entrepreneurship research, understanding what factors affecting entrepreneurial intent is critical. Therefore, investigating determinants of entrepreneurial intention is a crucial step in identifying ways to develop competitive entrepreneurs.

Entrepreneurial intention has been extensively researched in the West, for example, Carr and Sequeira (2007), Kautonen et al. (2009, 2010), Schwarz et al. (2009), just to name a few. However, it still remains as an under-studied area in Malaysia. Applying the Western studies in Malaysian context would definitely raise a question of their appropriateness and applicability. As findings on determinants that predict entrepreneurial intention varies across countries and cultures (Boulton and Turner, 2005; Moriano et al., 2011); some studies are indeed needed at the local setting to increase the relevancy and accuracy of the results.

Although some local scholars have attempted to study entrepreneurial intention in Malaysia, several limitations can be found in their studies. For instance, Yusof et al. (2007) and Ismail et al. (2009) focused on the influence of personality traits on entrepreneurial intention. In addition, Zain et al. (2010) focused on personality and economic traits; meanwhile, Joyce and Gomathi (2010) emphasized the influence of personality and demographic factors. Apparently, no other variables were tested in their studies; thus causing limited understanding of the influence of other factors towards entrepreneurial intention.

Without doubt, from the literature collection, there are numerous studies using theory of planned (TPB) to predict entrepreneurial intention. Nonetheless, some limitations can be identified from the past literature. In some recent studies, do Paço (2011), Moriano et al. (2011) and van Gelderen et al. (2008)
did not integrate other variables into their TPB model to predict intention. Although Fini et al. (2009), Sommer and Haug (2011) and Schwarz et al. (2009) have extended the model, some important variables were excluded in their studies, such as personality traits and social ties. These limitations have caused the determinants that affect entrepreneurial intention still remain unclear. Most importantly, TPB has not been well tested in local setting to study entrepreneurial intention.

Based upon the above limitations, this study is performed to fill up the above mentioned gaps by focusing on the following objectives:

1. To identify the determinants affecting entrepreneurial intention among millennial generation.
2. To determine the level of entrepreneurial intention among millennial generation
3. To verify the relationship between determinants and entrepreneurial intention.

2. Literature Review

2.1 Entrepreneurship

Entrepreneurship has received much attention over the last 20 years (Davidsson, 2008). The contributions of entrepreneurs are significance. For examples, job creation, product and process innovation, as well as invention are among the main contributions of entrepreneurs. Some scholars named entrepreneurs as “engines of economic growth” (Baron and Shane, 2008; Ethugala, 2011). In addition to their contributions towards economic growth, Mellor et al. (2009) has stated that traditional economic system has focusing too much on price factor and has neglected the importance of invention and innovation; it is entrepreneurs who take up invention and innovation and eventually creating something new or better to the society.

To date, the word “entrepreneurship” has been defined in various ways and there is no single-agreed-upon definition (Baron and Shane, 2008). Though difficult and tricky in defining the word, Baron and Shane (2008, pp 5) has suggested that entrepreneurship as follow:

“A field of business seeks to understand how opportunities to create something new arise and are discovered or created by specific individuals, who then use various means to exploit or develop them, thus producing a wide range of effects”.

In this study, entrepreneurship is defined as a process in which people recognize opportunities, utilize the opportunities through invention and innovation, and eventually gain satisfaction from it.

2.2 Millennial

Strauss and Howe (1992) explain that millennial is also called Generation Y, which refers to a generation born in between 1982 to 2000. In addition, Neuborne and Kerwin (1999) have also mentioned that this generation is also known as Echo Boomers or Millennium Generation. Strauss and Howe (1992)
also found that this generation has shown a great difference from its previous generation, the Generation X.

According to Nabi et al. (2010), a focus on student progression from higher education to graduate entrepreneur could be appropriately placed to ensure students develop a more knowledgeable entrepreneurial intention. In addition, Yusof et al. (2007) also mention that in order for the new entrepreneurial ventures to be success, this young generation should be researched and analyzed.

2.3 Theory of Planned Behavior (TPB)

Theory of planned behavior (TPB) was developed by Ajzen (1991) as an extension to theory of reasoned action (TRA) by Fishbein and Ajzen (1975). According to Engle et al. (2010), TPB model does come into view to be an important cognitive process model for the evaluation of entrepreneurial intention. The model explains the complexity of relationship between human behavior and its relevant determinants. Most importantly, it identifies that human behavior is a cause of intention. According to Ajzen (1991), intention is directly affected by three antecedents, they are: (i) attitude; (ii) subjective norm and; (iii) perceived behavioral control. In other words, the three factors mentioned above directly affect a person’s intention to perform a behavior. The author further explains that TPB can be applied in many areas of interests, specifically in understanding certain behaviors, such as purchasing behaviors, leisure behavior, drinking behavior etc.

Krueger et al. (2000) point out that entrepreneurship is a result of intentional and planned behavior. Thus, using TPB to investigate entrepreneurial intention is considered viable. In fact, TPB has been found to be an effective and influential model for studying and understanding entrepreneurial intention (Moriano et al., 2011; Shook and Bratianu, 2010; van Gelderen et al., 2008). Although TPB has proven as an effective tool in entrepreneurial intention research, it is important to integrate other relevant variable into TPB model to increase its ability to explain and predict intention.

2.4 Research Framework and Hypotheses Development

Using TPB to study entrepreneurial intention was found in various studies, for examples, do Paço et al. (2011), Fini et al. (2009), Kautonen et al. (2009, 2010), Mariano et al. (2011) and Sommer and Haug (2011), just to name a few. Following the past literature; this study also adapts TPB in determining the factors affecting the undergraduates’ intention in becoming entrepreneurs. Figure 1 illustrates the research framework.
As mentioned by Sommer and Haug (2011) and van Gelderen et al. (2008), TPB is indeed a good and useful model to explain entrepreneurial intention; however, extending the basic model by adding in new variables does make sense. As such, in addition to the original three variables, personality trait is added as an additional variable that influences intention. Moreover, knowledge, past experience and ties are included as variables that influence the intention directly and indirectly. The following sections explain the research model in details.

2.4.1 Knowledge

It is believed that with adequate knowledge, education and inspiration for entrepreneurship, the possibility of choosing and entrepreneurial career may increase among young people (Turker and Selcuk, 2009). According to Roxas et al. (2008), entrepreneurial knowledge gained from a formal entrepreneurial course will enhance individuals’ entrepreneurial intentions. In addition, special entrepreneurial skills that are taught in schools and through special adult education programs by teachers who are familiar with entrepreneurial activity can also affect a person's likelihood to engage in entrepreneurship (Engle et al., 2010). Furthermore, Devonish et al. (2010) mention that entrepreneurs can apply their knowledge to influence their own children to carry on their family businesses or to develop new businesses. According to Yusof et al. (2007), a proper support system, education and the development of managerial competencies may go a long way in making them successful. Moreover, Birdthistle (2008) points out that the subject of entrepreneurship are being taught to students for providing skills and competencies to found a business and have self-employment as a career option. Hence, the following hypothesis is proposed:

H1: Knowledge has a positive effect on entrepreneurial intention.
H2a: Knowledge has a positive effect on attitude.
H2b: Knowledge has a positive effect on social norm.
H2c: Knowledge has a positive effect on perceived behavioral control.
H2d: Knowledge has a positive effect on personality traits.
2.4.2 Past Experience

Apart from knowledge, an individual also considers experience as a main criterion in intention to be an entrepreneur. For instance, Nabi and Holden (2008) agree that with individuals’ life experience and entrepreneurial learning, it allows them to realistically and gradually translate entrepreneurial intention into entrepreneurial activity. Similarly, Davey et al. (2011) further mention that those individuals with entrepreneurial experience are having high interest for self-employment. They further point out the value of providing students with entrepreneurial experience throughout their university education to encourage entrepreneurial behavior among them. In addition, Devonish et al. (2010) also assert that providing internship programs to students can enhance the students’ perceptions of attractiveness and possibility about entrepreneurship. Thus, the following hypothesis is proposed:

H3: Experience has a positive effect on entrepreneurial intention.
H4a: Experience has a positive effect on attitude.
H4b: Experience has a positive effect on social norm.
H4c: Experience has a positive effect on perceived behavioral control.
H4d: Experience has a positive effect on personality traits.

2.4.3 Ties

Chen and He (2011) confirm that based on Chinese evidence, strong ties have a positive effect on entrepreneurial intention and play a key role in socialization toward entrepreneurship. In addition, Birdthistle (2008) found that 42 percent of entrepreneurs in Ireland came from entrepreneurial parents and/or families. However, Franco et al. (2010) argue that certain influences from family on the tendency for self-employment cannot be disposed even though there is no direct family effect on the entrepreneurial intentions. It is also found that entrepreneurs can influence their own children’s intentions to carry on the family business or to develop a new business (Devonish et al., 2010). Thus, the following hypothesis is proposed:

H5: Ties have a positive effect on entrepreneurial intention.
H6a: Ties have a positive effect on attitude.
H6b: Ties have a positive effect on social norm.
H6c: Ties have a positive effect on perceived behavioral control.
H6d: Ties have a positive effect on personality traits.

2.4.4 Attitude

Attitude is considered as one of the determinants of intention, Ajzen (1991, pp 188) defines it as “the degree to which a person has a favorable or unfavorable evaluation or appraisal of the behavior in question”. Attitude has proven as an important factor to explain intention towards entrepreneurship,
whereby significant relationship existed between attitude and entrepreneurial intention (Fini et al., 2009; Kautonen et al., 2009; Moriano et al., 2011). Specifically, do Paço et al. (2011) identify that attitude, among other factors, actually plays the most important role in explaining entrepreneurial intention. To explain further, Schwarz et al. (2009) performed a study to investigate the effects of attitude on students’ entrepreneurial intention and found that attitude towards change, money and entrepreneurship were indeed some good predictors of entrepreneurial intention. In another study, van Gelderen et al. (2008) explain that individuals’ attitudinal aspects, such as need for financial security, importance of wealth, work load avoidance and autonomy all explain entrepreneurial intention significantly. Hence, the following hypothesis is developed:

**H7:** Attitude has a positive effect on entrepreneurial intention.

### 2.4.5 Social Norm

Another antecedent of intention is a social factor called social norm, which refers to “perceived social pressure to perform or not to perform the behavior” (Ajzen, 1991, pp 188). Past literature has shown controversial results on the relationship between social norm and entrepreneurial intention. For instance, Moriano et al. (2011) confirm that social norm is a significant predictor of entrepreneurial intention. In addition, van Gelderen et al. (2008) also found that social norm was important in explaining intention towards entrepreneurship; they further discussed that students having entrepreneur family members and friends were having positive social norm with regard to entrepreneurship. Similarly, Carr and Sequeira (2007) and Kautonen et al. (2009) have also obtained positive relationship between social norm and entrepreneurial intention in their studies. Nonetheless, on the contrary, do Paço et al. (2011) conclude that social norm has traditionally played a weak role in predicting entrepreneurial intention and hence it is insignificant in influencing entrepreneurial intention. Similarly, Shook and Bratianu (2010) also assert that social norm is not positively related to entrepreneurial intention. Other studies which support that social norm is insignificant in predicting entrepreneurial intention are such as Fini et al. (2009) and Sommer and Haug (2011). The contradicting results of the predictability of social norm on entrepreneurial intention have made this variable requires further investigation. Therefore, the following hypothesis is proposed:

**H8:** Social norm has a positive effect on entrepreneurial intention.

### 2.4.6 Perceived Behavioral Control

Ajzen (1991, pp 188) defines perceived behavioral control as “perceived ease or difficulty of performing the behavior”. Many researchers have referred perceived behavioral control to “self-efficacy”, for examples, Shook and Bratianu (2010), Moriano et al. (2011), Schwarz et al. (2009), van Gelderen et al. (2008), just to name a few. Specifically, Sommer and Haug (2011) found out that perceived behavioral control was the strongest predictor of entrepreneurial intention, in which they referred perceived behavioral control to important entrepreneurial resources in the entrepreneurial process. In addition,
Shook and Bratianu (2008) have also concluded that self efficacy (aka perceived behavioral control) associated with entrepreneurial intention positively, in which students were more likely to start-up a business when they believed they could perform the tasks related to entrepreneurship. The positive influence that perceived behavioral control had on entrepreneurial intention has also been shown in do Paço et al. (2011), Moriano et al. (2011) and Fini et al. (2009). As such, the hypothesis below is proposed:

H9: Perceived behavioral control has a positive effect on entrepreneurial intention.

2.4.7 Personality Traits

According to Ismail et al. (2009), an individual with certain personality traits may be more attracted to entrepreneurial activities. As mentioned by Yusof et al. (2007), young generation is highly inclined towards entrepreneurship based on psychological characteristics; that is, they have a very high need for achievement, high propensity to take risk and willing to innovate and have a high locus of control. Based upon a study by Birdthisle (2008), majority of respondent were extroverted and they were highly compatible, conscientious and highly stable in terms of emotions. This study focus on the five dimensions of the Big Five personality traits which are neuroticism, extraversion, conscientiousness, openness and agreeableness. As Devonish et al. (2010) mention, there is a need to investigate the Big Five personality model to form an integrating and comprehensive model or theory. Hence, the following hypothesis is proposed:

H10: Personality traits have a positive effect on entrepreneurial intention.

2.4.1 Entrepreneurial Intention

According to Ajzen (1991, pp 181), intention refers to “the indication of how hard people are willing to try, of how much an effort they are planning to exert, in order to perform the behavior”. Generally, the stronger the intention, the more likely that a person will perform a particular behavior. It is practical to study intention because actual behavior is difficult to be measured in a research (Wu, 2010). Entrepreneurial intention is closely related to entrepreneurship behavior. Ajzen (1991) has mentioned that intention is a direct predictor of behavior. Add to this, Krueger et al. (2000) has also explained that entrepreneurial behavior is intentional and a planned behavior. Since entrepreneurial behavior is intentional, many researchers agreed that it can be predicted by entrepreneurial intention (Krueger and Carsrud, 1993).
3. Methodology

3.1 Population and Sample

The population of this study comprises of full-time undergraduate students at a well-known public university in Malaysia. Post-graduate students are excluded from the study simply because majority of them do not meet the requirement of “millennial generation”. Specifically, the selection of the sample will be done by using stratified sampling method according to faculties. It is believed that by using this sampling method, it is then able to representation of students from various fields of studies.

University undergraduate students are deemed as viable samples because they are young, in which they can be categorized as “millennial generation”. Moreover, they will move on to their working life soon after graduation, being an entrepreneur can be a career option for them. The importance of using undergraduate students as the subject of study can also be found in Ismail et al. (2009), Shook and Bratianu (2010), van Gelderan et al. (2008) and Yusof et al. (2007).

3.2 Research Instrument, Data Collection and Data Analysis

The instrument to be used in this study is questionnaire. Specifically, self-administered questionnaires will be used because it can avoid the respondents from being influenced by the researchers. All items in questionnaires are to be developed by referring to past literatures. Specifically, seven-point Likert-scale questions will be designed.

Data will be collected in a classroom setting, whereby the respondents will be given 10-15 minutes to answer the questions. It is done so to ensure that respondents are given enough time to answer the questions and to obtain a high response rate.

All data collected will then be keyed into computer for further analysis. The study will use SPSS 18.0 and AMOS 18.0 to analyze the data collected. The first phase of data analysis will be performed by SPSS to obtain the descriptive statistical results, such as means, standard deviations, Cronbach’s alphas and exploratory factor analysis (EFA). Meanwhile, AMOS will be used in the second phase for structural equation modeling (SEM) purposes; in which measurement model, structural model and hypotheses will be tested.

4. Conclusion

This conceptual paper suggests a research framework for identifying factors affecting entrepreneurial intention among the millennial generation. It is hoped that this paper could flourish the current collection of literature and provide some insights regarding the determinants of entrepreneurial intention among the young generation.
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References


