

A REVIEW OF THE DECISIONAL FACTORS IN ADOPTING ENTREPRENEURSHIP AS A CAREER CHOICE

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Abstract

Entrepreneurship is of critical importance in market economies. So it is important to analyse the reasons for people to engage in it. This paper evaluates the reasons for some people to choose entrepreneurial path while others prefer to remain as employees. Also, classifying characteristics that differentiate entrepreneurs from non-entrepreneurs is vital to the field of entrepreneurship. It has been described in this paper that non-monetary factors are more important reasons for starting enterprises than monetary factors. Non-monetary factors are given higher importance by entrepreneurs as they get the opportunity to use their skill and talents more efficiently, work with more freedom and be more creative with their ideas.

Key words: Entrepreneurship, Intention, Motivation, Behaviour, Career

Introduction

Entrepreneurship tries to understand how opportunities are revealed, generated, and executed, by whom, and with what repercussions (Venkatraman, 1997). Becoming an entrepreneur throws many a personal challenges, which some people prefer over working for somebody (Segal et al. 2005). Entrepreneurs accept financial risk associated with their businesses and also enjoy the direct benefits from the businesses in the form of higher profits (Segal et al. 2005). It has been observed that even though entrepreneurship involves lot of autonomy and dignity, very few people choose to become entrepreneurs (Lechmann and Schnabel, 2014). Many people consider being entrepreneur as an attractive option but, they seldom go on to materialise it. Even in developed countries, the percentage of civilian population embracing entrepreneurship ranges from 7% in U.S.A., 9% in France, 12% in Germany to 14% in United Kingdom (Lechmann and Schnabel, 2014). This ratio is worrisome given the vital role assigned to entrepreneurs in economies, like encouraging economic development and creating jobs.

Conceptual Analysis of Entrepreneurial Behaviour

A behavioural and process oriented model of entrepreneurship has been proposed, which describes that entrepreneurial intentions are a precursor for creation of new enterprises (Ajzen, 1991). Intention to perform the behaviour, in turn, depends on three factors:

1) Attitude towards the behaviour, which indicates the level of attractiveness of the said behaviour. If a person believes that performing a particular behaviour will result in positive results, then the person will have a favourable attitude towards that behaviour.

2) Subjective norm, which indicates the level of social pressure on the person to perform the said behaviour. Some behaviour will have social support from a variety groups like family, relatives, friends, role models, mentors etc.

3) Perceived behavioural control, which indicates the benchmarking of one's own capabilities against the demands of the task or behaviour.

So there is a way by which attitudes, subjective norms, perceived behavioural control can be combined to predict entrepreneurial intentions and behaviour (Ajzen, 1991). Two theories has been described by Gilad and Levine (1986) that attempt to explain the motivations behind people turning entrepreneurs, namely the "push" theory and the "pull" theory. Push theory explains that people are pushed into entrepreneurship due to negative factors at their present work place like low salary, inferior working condition, work pressure or dissatisfaction. All of these factors are considered to be external in nature. Pull theory explains that people are drawn towards entrepreneurship due to various personal factors like desire for independence, self-actualisation, profit and other appropriate reasons. Some situational factors also aid to the decision of people to turn entrepreneurs, like job retrenchment, accessibility to resources, political and governmental influences (Segal et al. 2005). The contemporary models on entrepreneurship are indirectly or directly based on a basic idea (Segal et al. 2005). The idea is that a person's decision to become an entrepreneur would largely depend upon these two questions:

- 1) Does entrepreneurship lead to desired outcomes?
- 2) Do I possess the qualities needed to be a successful entrepreneur?

The disadvantage theory tries to explain entrepreneurial behaviour, specifically from the context of immigrants and minorities (Volery, 2007). According to disadvantage theory, entrepreneurship surfaces as a response to obstacles in the labour market. Immigrants and minorities take recourse to entrepreneurship as a means to increase their income upon learning of their lean chances in job markets due to various factors. Most immigrants have several disadvantages which hamper their job prospects upon arrival in the host country (Volery, 2007). Firstly, they lack skills like linguistic skills, experience and education, decreasing their chances of securing decent salaried jobs and leaving entrepreneurship as the only option that can be pursued. Secondly, lack of movement due to insufficient idea of the local culture may persuade them to be entrepreneurs. This theory suggests that entrepreneurship emerges not as an indicator of success but as a response to unemployment.

It is relevant here to discuss about the concept of self-efficacy, which helps a person determine his/ her capabilities to face the challenges of entrepreneurial journey. Self-efficacy is a person's confidence on his capabilities to generate chosen levels of outcomes which has an influence over the matters that affect the person's life (Bandura, 2010). Markman et al. (2002) opines that it is the perception of self-efficacy which motivates people to exhibit entrepreneurial behaviour rather than their objective abilities. Efficacy improves human achievements and personal welfare in many ways (Bandura, 2010). People with high confidence in their capabilities approach difficult tasks with courage rather than, shying away from them. Such approach encourages them to develop deep interest in their work and reach to greater depths for bigger accomplishments in their works. They always frame challenging goals and rigorously follow them. Even after failure, they quickly rebound due to their strong sense of efficacy. They consider lack of effort, knowledge and skills as reasons for failure. They always confront intimidating situations with the belief that they can conquer, by exercising control over them. Such efficacious attitude instils a sense of achievement, lowers the stress levels and prevents them from susceptibility of falling into depression. On the contrary, people with low levels of self-efficacy try to avoid difficult situations by considering them as personal threats. They have small ambitions and weak obligation towards their goals. When faced with challenges, they dwell on the difficulties that will come on the way and on their personal deficiencies, rather than thinking about the ways to overcome the challenges. Such people have very low chances of recovery from failures and setbacks.

Analysis of Decisional Factors in Adopting Entrepreneurship

Lazear (2005) suggests a very interesting set of ideas about entrepreneurship. The idea is that an entrepreneur needs to be good at handling a variety of tasks while employees may specialize in a single skill. The idea has been termed as “Jack-of –all-trades” view. For example, being a talented automobile engineer would be sufficient to be a good employee, but it would not be sufficient to start an automobile company. In addition to the skills of an automobile engineer, an aspiring entrepreneur will need to recruit good employees, look for economical office space, maintain accounts, and market the products of the company (Benz, 2009). He further mentions that even though entrepreneurs may not be expert at a single skill, they should have an above average skill in a variety of areas so that their business does not fail. So the persons with wider, generalized and balanced skill sets are most likely to become entrepreneurs (Lazear, 2005). Lower the opportunity cost for the individuals for being entrepreneurs, higher are the chances of them to turn entrepreneurs (Amit et al. 1995). In other words, higher the attractiveness of alternate option for the entrepreneur, lower is the likelihood of them taking up entrepreneurship.

Even though entrepreneurs possess common personality and demographic characteristics, many people with these characteristics choose to become employees, and some successful entrepreneurs lack the desired characteristics for being a successful entrepreneur. As most of these personality and demographic characteristics are obtained from birth or in early child hood, these personality and demographic characteristics tend to suggest that entrepreneurs are made in relation to the kind of upbringing they receive from their parents (Douglas and Shepherd, 2000). But, Robinson et al. (1991) suggests that attitudes can be a better indicator of entrepreneurial tendencies than characteristics are. Although, up to some extent, attitudes are a result of one’s upbringing, they can be learned as a person is exposed to various work and social environments. Attitudes of many people undergo a process of change as a result of exposure to new work and social environments (Douglas and Shepherd, 2000).

Robinson et al. (1991) deliberates the importance of attitude as an important determinant for the decision of a person to become an entrepreneur or not. They discuss about four types of attitudes associated with entrepreneurship through a framework called Entrepreneurship Attitude Orientation (EAO). The four factors of EOA are as follows:

- i. Business achievement: refers to tangible results related to the business and its growth.
- ii. Business innovation: refers to noticing and executing business actions in new and unique ways.
- iii. Personal control of business outcomes: refers to the perception of the person regarding the degree of control and impact which he/she will exercise over his/her own business.
- iv. Self-esteem in business: refers to the self-confidence and perceived capability of an individual in concurrence with their own business affairs.

Some people may never have a drive strong enough to initiate the formation of a new business. Such people will look forward to private employment or other forms of employment in order to meet their basic needs of security as described by Maslow (Carland et al. 1995). Such people may never realise that entrepreneurship can be a vehicle for realising the hierarchy of needs as described by Maslow. In some people the drive to open a new enterprise may be strong enough to materialise as when a suitable opportunity presents itself. In some other people the drive may be so strong that owning an enterprise becomes unavoidable. The degree of strength of the drive will decide when the person responds to overcome the obstacles presented by the environment and opens a new enterprise (Carland et al. 1995). At the outset all entrepreneurs view their enterprise as a medium to satisfy the first level of needs prescribed by Maslow i.e. security. Stronger is the drive to turn into entrepreneurs, less important will be the necessity to satisfy the need. People with the strongest desire will view entrepreneurship as a medium to achieve the highest level of need prescribed by Maslow i.e. need of self-actualisation. Some people

will view entrepreneurship as a medium to satisfy basic financial needs of their family, some will make every effort to make their ventures public, while some others will strive to go a step further and aim to lead the industry.

People choose to become entrepreneurs if total utility they derive from entrepreneurship venture exceeds the anticipated benefits from other employment options (Douglas and Shepherd, 2000). Some parameters which can be ascertained which can be used to assess the desirability of a person to either adopt entrepreneurship or job as their career option (Douglas and Shepherd, 2000). Firstly, it depends on the income generated which invariably depends on the ability of the person. Secondly, the condition of working environment are also considered like degree of control permitted in decision-making, exposure to risk, work load involved, and other working conditions like privileges attached to that occupation. The total utility derived by a person from each of the occupation will depend upon the degree of liking or disliking for each of the above mentioned working conditions. Douglas and Shepherd (2000) again describe some of the factors which influence the decision of people to accept entrepreneurship as a career choice. Firstly, majority of the employees would like to turn entrepreneurs if they could gather the same resources as their employer. The greater their managerial and risk-taking capacity, the greater will be their chances to become entrepreneurs, other things being equal. Secondly, people with an optimistic outlook towards their work (low tendency to avoid extra effort to accomplish the tasks) will have a higher motivation to become entrepreneurs. Thirdly, the person's risk taking capability also effects the decision to be an entrepreneur. The greater the risk bearing ability of the person greater is the chances to be an entrepreneur. Fourthly, the greater the person's desire for independence or control of decision-making, greater is the chances to be an entrepreneur. Finally, if the person also considers various privileges attached to the work, then it is understood that it can be better controlled when one is an entrepreneur. So the person will evaluate these working conditions before making a decision to be an entrepreneur or a job holder.

The study of various related literatures reveals that people engage in entrepreneurship due to a large variety of reasons. The reasons may be broadly classified into monetary and non-monetary reasons. The common belief is that people engage in entrepreneurial activities largely due to monetary reasons. There is a large body of literature to support the fact that people always do not engage in entrepreneurial activities only for monetary reasons. People become entrepreneurs even though they have other attractive options, like being a regular employee with a higher remuneration. Also, they continue investing in their own ventures even if attractive investment opportunities exist in the market. So entrepreneurship is not so attractive, as far as material gains are concerned. People are attracted to entrepreneurship mainly due to non-monetary benefits like, being their own boss, fulfilling their creative ambitions and an opportunity to fully utilise their talents and skills (Benz, 2009).

It was revealed in a study on Italian entrepreneurs that "aspiration to a higher income" has been voted by less than 50% entrepreneurs as the primary reason for starting their enterprises (Vivarelli, 1991). It was also revealed that non-monetary factors were given more importance by the respondents as reasons for starting enterprises. 78.9% of the respondents mentioned "desire to be independent" as the reason for starting the enterprises. The aim to "better exploit one's own technical capabilities" was mentioned by 53.6% of respondents, the wish to "enhanced exploitation of one's own managerial capabilities" was mentioned by 36.6% and better use of "commercial capabilities" was mentioned by 31.3% as the primary reason for starting their enterprises. So entrepreneurs hold the view that non-monetary factors are better motivators over monetary factor while deciding to start the new enterprises. Even though monetary factor are mentioned, they have been considered as the secondary motivators. Another study mentioned by Vivarelli (2004) came to somewhat similar conclusion with autonomy and freedom, scoring well over the monetary factors as the primary motivators for starting new enterprises.

Generalisations on Entrepreneurship

In reference to the notion that the decision to become an entrepreneur or not is the sum total of utility derived from competing options, Douglas and Shepherd (2000) makes some generalisations related to the

entrepreneurial option. These generalisations mentioned below are based on the implied assumption of 'other things being equal'.

- Even though ability for hard work, capability to take risk, and a strong liking for independence, each supports entrepreneurship, none of them are either essential or adequate conditions for entrepreneurship.
- It should be understood that a person who is unenthusiastic to risk, independence and work may earn sufficient income in entrepreneurship to greater than compensate for the disutility of independence, risk and effort suffered in that business.
- The employers may provide additional autonomy and privileges to a person who has the ability to work hard and prefer independence, in order to keep them working under someone else. So it can be inferred that a person with above average capabilities, high esteem for work and a preference for independence, would most probably want to be an entrepreneur when compared to a person who underperforms on these parameters.
- It is not sufficient to have an intention to turn an entrepreneur. Other supporting conditions like right opportunity, proper funding and a conducive environment is necessary to covert that intention into reality. That is the reason we can see a lot of people working for someone else even while contemplating to be an entrepreneur in the future.
- Some people after struggling to perform tasks efficiently as an employee and in spite of having above average talents, eventually come to the conclusion that entrepreneurship is their utility maximising option, even though it may mean settling for petty entrepreneurial ventures.
- Entrepreneurial outlook and capabilities are necessary for all workers and managers as they benefit the organisation in terms of maximising shareholders wealth. So the recruitment policies of organisations should give due importance to selection and retention of employees with entrepreneurial qualities. The organisation should also compensate such employees by sharing risk and independence through some incentive contracts, which results in a win-win situation both for employees and the organisation.
- Institutions of higher education and universities should offer entrepreneurship courses as compulsory papers in their syllabus instead of elective options, as the possession of entrepreneurial qualities will increase the profits of the organisations, irrespective of the organisations being big or small.

Conclusions

Entrepreneurial activity is an expensive and intricate process with very low success rate. Therefore it is important to find such persons who can innovate and quickly turn them into commercial ventures. While it is important to keep a continuous watch on business opportunities, resources, technology and market, it is also equally important to examine the people who eventually face the challenge of integrating all of these – the entrepreneurs. The desired characteristics of the entrepreneurs should also get proper attention as they may decide whether the new ventures is likely to succeed or not.

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