Outcomes of entrepreneurship education: An institutional perspective
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ABSTRACT

Drawing on institutional theory and the model of entrepreneurial action, we build and test a multilevel model on the outcomes of entrepreneurship education. Essentially, we suggest that entrepreneurship education has stronger relationships with subsequent entrepreneurial activity in seemingly entrepreneurship-hostile institutional environments. Findings from 11,230 individuals in 32 countries support this notion. The results have implications for researchers and practitioners in the field of entrepreneurship education.

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1. Executive summary

To promote entrepreneurship activities, many countries have substantially invested in entrepreneurship education. This has led to a scholarly interest in the outcomes of such efforts. Most studies find a positive effect of entrepreneurship education on entrepreneurial intention. Some studies, however, find a negative, discouraging effect of entrepreneurship education. These mixed findings suggest that environmental conditions play a role in the effects of entrepreneurship education. However, to date, we know little about how the outcomes of entrepreneurship education are conditioned by the environmental context. This study addresses this gap and explores how the relationship between entrepreneurship education and entrepreneurial activity is conditioned by a country’s institutions.

We posit that entrepreneurship education stimulates entrepreneurial activity in entrepreneurship-hostile institutional environments rather than in entrepreneurship-friendly institutional environments. Our study investigates five characteristics of a country’s institutional profile, namely entrepreneur-friendly regulations, financial capital availability, educational capital availability, control of corruption, and the public image of entrepreneurs. We argue that these five institutional characteristics affect the monetary and non-monetary payoffs of entrepreneurship and that in entrepreneurship-friendly institutional environments individuals can acquire entrepreneurial motivation and qualification also from other sources than

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entrepreneurship education. Based on multilevel analyses of data from more than 11,000 individuals in 32 countries we find that entrepreneurship education is more effective, in terms of stimulating more entrepreneurial activity, in entrepreneurship-hostile institutional environments, thus in those countries low in entrepreneur-friendly regulations, financial capital availability, control of corruption, and public image of entrepreneurs. We could not find a moderating effect of educational capital availability.

Our study contributes to the literature on the effects of entrepreneurship education. Most empirical research on the effects of entrepreneurship education has been limited to the individual level and has neglected country-level contextual influences. Our findings show that better understanding the outcomes of entrepreneurship education requires considering a country’s institutional environment. This insight matters also for policy-makers and educators who face pressures to justify investments into entrepreneurship education.

2. Introduction

In the hope of sparking more entrepreneurship, many countries have substantially invested in entrepreneurship education at universities (Brush et al., 2003; Katz, 2003), high schools (EACEA, 2012; Peterman and Kennedy, 2003; Sánchez, 2013), and even primary schools (Huber et al., 2014). This has increased scholarly interest in the outcomes of such efforts (Dickson et al., 2008; Gorman et al., 1997; Pittaway and Cope, 2007). While most studies suggest that entrepreneurship education fosters entrepreneurial intentions and thus entrepreneurial activity (e.g., Kautonen et al., 2015; Peterman and Kennedy, 2003; Rauch and Hulsink, 2015; Sánchez, 2013; Souitaris et al., 2007; Walter et al., 2013), there is also evidence of a negative, discouraging effect of entrepreneurship education (Oosterbeek et al., 2010; von Graevenitz et al., 2010). These mixed findings could indicate that environmental contingencies condition the outcomes of entrepreneurship education (De Clercq et al., 2013; Walter and Dohse, 2012). Indeed, scholars have long viewed entrepreneurship as a result of a person-context interaction (Learned, 1992; Herron and Sapienza, 1992; Naffziger et al., 1994) and recent meta-analyses have warranted more research into potential moderators of education effects (Bae et al., 2014; Martin et al., 2013; Unger et al., 2011). However, to date, there is little research into this direction (Pittaway and Cope, 2007), although it promises interesting insights into how entrepreneurial decision-making is embedded in the national context (Shepherd, 2011).

To address this gap, our study explores how the relationship between entrepreneurship education, i.e., the degree to which an individual believes that such education has successfully fostered her entrepreneurial attitudes and skills, and entrepreneurial activity, i.e., the likelihood of being self-employed at a given time, is conditioned by a country’s institutional context. Drawing on institutional theory (North, 1990; Whitley, 1999) and the model of entrepreneurial action (McMullen and Shepherd, 2006), we posit that entrepreneurship education stimulates entrepreneurial activity in entrepreneurship-hostile institutional environments rather than, as also seems intuitively plausible, in entrepreneurship-friendly institutional environments. Consistent with Whitley’s (1999, 2002) comparative business systems perspective, our study covers five characteristics of a country’s institutional profile, including entrepreneur-friendly regulations, financial capital availability, educational capital availability, control of corruption, and the public image of entrepreneurs. Specifically, we argue that these five institutional characteristics affect the monetary and non-monetary payoff of entrepreneurship and that in entrepreneurship-friendly institutional environments individuals can acquire entrepreneurial motivation and qualification also from other sources than entrepreneurship education.

Multilevel analyses of data from 11,230 individuals in 32 countries provide support for our arguments. Overall, this study bridges, theoretically and empirically, different levels of analysis by exploring how country-level institutions condition the effect of individual-level entrepreneurship education on subsequent entrepreneurial activity. The study makes two key contributions. First, prior empirical research on entrepreneurship education has been limited to the individual level and has – typically as a matter of research design – factored out country-level influences (e.g., Rauch and Hulsink, 2015; Souitaris et al., 2007). Our findings extend this literature by showing that better understanding educational outcomes requires considering a country’s institutional environment. This insight is also important for policy-makers and educators who face increasing pressures to justify investments into education and to benchmark educational outcomes internationally (OECD, 2013; Oosterbeek et al., 2010). Second, our results contribute to the literature on institutions and entrepreneurship. Prior research in this field has illuminated how country-level institutions directly (e.g., Bowen and De Clercq, 2008; Lee et al., 2011) or interactively (e.g., Kim and Li, 2014) shape entrepreneurial activity. This study adds to this literature by providing evidence for the role of individual-level entrepreneurship education in this context. It also highlights that combining theory from different level of analysis can further our understanding of how entrepreneurship education and the institutional environment interact in promoting entrepreneurial activity.

De Clercq et al. (2013) found that institutions in a country moderate the relationship between an individual’s human capital and the likelihood of starting a new business. Walter and Dohse (2012) showed that the effect of reflective, but not active modes of entrepreneurship education depends on the regional context.

Our definition of entrepreneurship education emphasizes the efficacy of formal education in nurturing entrepreneurial knowledge and motivation. It is therefore consistent with prior research on how taking entrepreneurship courses leads students to perceive entrepreneurship to be more feasible and/or desirable (Peterman and Kennedy, 2003; Sánchez, 2013). This self-perception is considered critical for start-up decisions (McMullen and Shepherd, 2006), but can deviate from educational attainment, which is a form of social perception.
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