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Do young managers in a developing country have stronger entrepreneurial intentions? Theory and debate

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ABSTRACT

We examine whether the young managers in a developing country have stronger entrepreneurial intention than those in a developed country, within the context of the Theory of Planned Behavior. This study is based on the data from two distinct and strategically important countries: India and Japan. We analyze the linkage between entrepreneurial intention, country culture and proactive behavior. We postulate a theoretical model to incite others to pursue further research. Bateman and Crant's (1993) questionnaire was used for the measurement of the aforementioned variables. We found that the managers in a developing country need not have stronger entrepreneurial intentions.

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1. Introduction

Entrepreneurship creates wealth and reduces unemployment. Entrepreneurs contribute to industrialisation as well as to economic growth (Dana, 2001). The antecedents and consequences of entrepreneurship are considered as important topics of academic debate (Dana, 2001; Keupp & Gassmann, 2009). This is also of great importance for policy makers as high levels of entrepreneurial activity in a country are likely to contribute to innovative activities, increase in competition, and employment generation (Paul & Shrivastava, 2015). Many economists claim that entrepreneurship is an important determinant of economic growth and development (Naudé, 2011). Therefore, entrepreneurship has gained increasing respect as a field of research from scholars as well as those concerned with its practical application worldwide (Ma & Tan, 2006). History has proven that with each economic downturn it is entrepreneurial drive and persistence that brings economies back on track (Kuratako, 2006). Entrepreneurship has attained a special importance in the process of economic growth and industrial development, both in the developed and developing countries (Tamizharasi & Panchanatham, 2010), as high growth firms are often characterized by an

entrepreneurial spirit (Chaston & Sadler-Smith, 2012). Fereidouni & Masron (2012) show that political stability and control of corruption are highly significant determinants of entrepreneurial activities. Thus, emerging markets such as China and India provide an opportunity to examine entrepreneurship in relation to contextual factors such as political stability and corruption control (Alon & Rottig, 2013).

The study of entrepreneurship within the context of cultural and institutional framework in developing countries has relevance today, not only because it helps entrepreneurs better satisfy their personal needs, but also because of the economic contribution of new ventures (Terjesen, Hessels, & Li, 2013; Paul & Shrivastava, 2015). i.e., entrepreneurship acts as a catalyst for economic growth by increasing national income and in turn creating new jobs, and by serving as a bridge between innovation and the market place.

Entrepreneurship appears to be widespread in developed countries, although whether young people in developing countries have stronger entrepreneurial intention is debatable. An entrepreneur is an economic person who attempts to maximize their profits by initiatives and innovation. Innovations involve problem solving and entrepreneurs normally achieve satisfaction from solving problems (Higgins, 1964). As the definition would suggest, entrepreneurial activity has evolved over the years from someone who bears risk by buying at a low price and selling at a higher price to someone who creates new enterprises. McClelland (1961) and Say (1963) further describe an entrepreneur as one who brings together the factors of production, management, as well as risk bearing. Schumpeter (1950) envisioned that an entrepreneur is the

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agent who provides economic leadership that changes the initial conditions of the economy and the firm. In short, an entrepreneur is an innovator (Tamizharasi & Panchanatham, 2010).

Witt and Redding (2009) demonstrate how the institutional framework for economic order in a society is affected by the culturally determined sets of meaning and traits by linking national cultures and institutional structures of business systems in Germany and Japan. Cultural differences between countries explain a substantial part of the difference in entrepreneurship (Okamuro, Stel, & Veheul, 2011).

Comparative international entrepreneurship (CIE) involves cross-national comparison of domestic entrepreneurship such as differences in entrepreneurial activity rates across countries. Cross-national research enables comparison and replication and also reduces the risk of nation-specific results that are not generalizable. However, CIE research is still in an 'infancy' stage (Engelen, Heinemann, & Brettel, 2009). CIE research identifies fundamental differences in entrepreneurial activities across countries and investigates their sources as well as their implications (Terjesen et al., 2013). The field of CIE is in desperate need for further theory development (Keupp & Gassmann, 2009).

Entrepreneurs need confidence, capability and competence to meet unforeseen and difficult conditions. Can these traits be linked to proactive personality and culture, as well as other unrelated environmental factors, such as institutional framework, business environment, or seed capital? To answer these questions, in this paper, we compare entrepreneurial intentions of young managers from a developing country (India), with those of a developed country (Japan) within the CIE literature.

This paper is structured as follows. Theoretical background and literature review are covered in the next section. Research objectives are specified in Section 3. We develop a theoretical model to highlight the common factors influencing the entrepreneurial intention in Section 4. Method followed in this study is explained in Section 5. Results are reported in Section 6. Discussion of the results is presented in Section 7. Section 8 is devoted for managerial and social implications. The limitations of this study and directions for future research are given in Section 9. Finally, the findings from the study are summarized as conclusions in Section 10.

2. Theoretical background and literature review

We divide this section into three sub-sections to discuss the linkages and literature.

(i) Theory of Planned Behavior (ii) Proactive Behavior (iii) Country Context and Culture.

2.1. Theory of planned behavior

The Theory of Planned Behavior (TPB) is based on three motivational factors, or antecedents, influencing behavior (Ajzen, 1991; Liñán and Chen, 2009) as given below.

- (i) *Attitude toward Entrepreneurship (Personal attitude, PA)*: This indicates the degree to which an individual holds a positive or negative personal valuation about being an entrepreneur (Ajzen, 2001; Autio, Pathak & Wennberg., 2013).
- (ii) *Subjective norm (SN)* measures the perceived social pressure to carry out or not to carry out entrepreneurial behaviors (Ajzen, 2001).
- (iii) *Perceived behavioral control (PBC)* is defined as the perception of the ease or difficulty of becoming an entrepreneur.

Based on the extended TPB, entrepreneurial intention can be defined as an effort that the person will make to carry out an

entrepreneurial activity. Planned behaviors, such as entrepreneurship are predicted by intentions, which are derived from attitudes (Ajzen, 1991). Attitude is defined as a mental and neural state of exerting readiness, exerting a directive or dynamic influence upon the individuals with regard to all objectives and situations (Allport, 1935). An individual's attitude may change and evolve over a period of time, and thus is not a permanent feature. These attitudes are not same across individuals and are derived from exogenous factors like cultural influences (Crant, 1995; Crant & Bateman, 2000).

Thus, exogenous influences create attitudes, which may predict intuitions, which in turn may predict an individual's behavior (Ajzen, 1987; Ajzen & Madden, 1986). Hence, by studying attitudes and intentions, we may gain insights into entrepreneurship, as entrepreneurial activity is often a planned or intentional behavior that is influenced by attitudes. Subsequent moderators, such as availability of resources along with the final consequences of a behavior and its resulting actions are critical to the viability of the initiation of a new venture (Crant, 1996).

Entrepreneurial orientation or propensity to have entrepreneurial intentions consists of four broad dimensions. These dimensions include achievement, self-esteem, personal control and innovation (Robinson, Stimpson, Huefner, & Hunt, 1991; Tamizharasi & Panchanatham, 2010). An entrepreneur's intention may be interpreted as the desire to start one's own business (Durand & Shea, 1974). Entrepreneurs risk time and money in search of opportunities to transcend horizons with their own business (Paul & Shrivastava, 2015; Robinson et al., 1991). Entrepreneurs are self-confident, emotionally stable pathfinders who change their organization's mission or seek to solve problems, achievement, or autonomy (Brandstätter, 1997; Durand & Shea, 1974; Koellinger, Minniti, & Schade, 2007; Longenecker, McKinney, & Moore, 1989). Normally an increased perception of control and positive attitude, as well as socially accepted norms enhance entrepreneurial intentions of an individual (Goethner, Obschonka, Silbereisen, & Cantner, 2012; Kautonen, Tornikoski, & Kibler, 2011).

Harris and Gibson (2008) examined the entrepreneurial intentions of undergraduate students enrolled in different universities in the USA. Their results indicated that a majority of the students possessed entrepreneurial attitudes. Furthermore, both student characteristics and entrepreneurial experiences were found to be associated with certain entrepreneurial attitudes. Iakovleva, Kolvereid, and Stephan (2011) used TPB propounded by Ajzen (1991) to predict entrepreneurial intentions among students in developing and developed countries. The findings indicate that respondents from developing countries have stronger entrepreneurial intentions than those from developed countries. Moreover, the respondents from developing countries also score higher on the theory's antecedents of entrepreneurial intentions—attitudes, subjective norms, and perceived behavioral control—than respondents from developed countries. Their findings support TPB in developing and developed countries similar to Paço, Ferreira, Raposo, Rodrigues, and Dinis (2011), who deemed the theory an appropriate tool for entrepreneurship model development. Paul and Shrivastava (2015) found that the students in a developing country do not always have stronger entrepreneurial intention, based on the sample from two Asian countries. Dana (2007) has compared the context, policy and practice of Asian models of entrepreneurship: from the Indian Union and the Kingdom of Nepal to the Japanese Archipelago, and shown the differences and found that of two million enterprises in Japan about 99% are small and medium enterprises. On the other hand according to Global Entrepreneurship Monitor (GEM), India has more persons active in start-ups and new firms than any other country in the world (Dana, 2007).

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