

Impact of risk preference and entrepreneurial Self-Efficacy between entrepreneurship education and entrepreneurial career option - A conceptual perspective

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Abstract

The relationship between entrepreneurship education and entrepreneurial intention has been established by several researches, but there are inconsistencies in the findings. Many studies highlight the importance of entrepreneurship education in promoting entrepreneurial intention among graduates. In contrary, numerous studies reported a negative and significant relationship between the two constructs. This conceptual paper maintained that graduate with entrepreneurship training are most likely to become entrepreneur. It is also maintained that graduate with entrepreneurship training might not necessary become entrepreneur unless he/she possesses entrepreneurial self-efficacy and risk preference for entrepreneurial career. The study provides assumptions that helps in future studies and makes suggestion for future research.

Keywords: Entrepreneurship education, entrepreneurial career option, entrepreneurial self-efficacy, risk preference.

1. Introduction

Entrepreneurial career has become more important than ever in recent years, and it has received attention as a leading factor in achieving economic growth high employment, strong job creation, and positive social development (Ethugala, 2011; Kelley, Singer, & Herrington, 2012). In addition, the determinants of entrepreneurial career choice are widely

researched (Parker, 2009; Sesen & Pruett, 2014; Smith, & Beasley, 2011). However, policy makers are particularly interested on the effect of entrepreneurship education on entrepreneurial career, since it can be influenced by policy measures (European Commission, 2003). Consequently, over the past decade there has been a significant increase in entrepreneurship programs globally aimed at increasing entrepreneurial activity at all levels. Karimi, Chizari, Biemans and Mulder (2010) suggest that participation in taught entrepreneurship education can have a positive impact on attitudes towards entrepreneurship as career option.

In this regard, the educational system plays an important role in developing entrepreneurial skills, competencies and attitudes in several ways which in turn stimulates future entrepreneurial career choice. Similarly, entrepreneurship education is considered as the most effective means of embedding an entrepreneurial culture in higher educational institutions (HEIs) by fostering students' entrepreneurial self-confidence and developing the supply of future graduate entrepreneurs (Jones, Miller, Jones, Packham, Pickenell, & Zbierowski, 2011; Sesen, 2013). However, Ogundeji (2014) identified entrepreneurial self-efficacy as the major driving factor stimulating entrepreneurial career among graduates; hence need to be carefully considered in entrepreneurial training.

Therefore, the aim of this paper is to provide a conceptual analysis of mediating effect of entrepreneurial self-efficacy on the relationship between entrepreneurship education and entrepreneurial career choice among university graduates. However, the paper reviews literature on previous work in relation to entrepreneurship education, entrepreneurial self-confidence and entrepreneur career to develop a conceptual framework that indicates the significant relationship between these constructs. Finally, the paper discusses the theoretical background of the study and makes suggestions for future research.

2. Literature Review

Entrepreneurship Education

Neck and Greene (2011) view entrepreneurship education as a series of activities which aim to enable an individual to assimilate and develop knowledge, skills, values and understanding which allow a broad range of problems to be defined, analyzed and solved. Whilst, according to Chang and Rieple (2013) entrepreneurship education aims to develop students' mind-sets, behaviors, skills and capabilities, which will create the entrepreneurs of the future. It has developed as a result of a belief that entrepreneurship can, and should, be taught (Chang & Rieple, 2013; Fiet, 2000; Henry, Hill, & Leitch, 2005), rather than predestined by genes, as some have advocated (Kuratko, 2005).

Many studies highlight the importance of entrepreneurship education

in promoting entrepreneurial career among graduates (Draycott and Rae, 2011; Gibb, Haskins & Robertson, 2009; Lourenco & Jayawarna, 2011). Therefore, considerable academic efforts have been focused upon entrepreneurship education in recent years helping the field to develop and to gain momentum (Giacomin, Janssen, Pruett, Shinnar, Llopis & Toney, 2011; Gibb, 2011; Goksel & Aydintan, 2011; Jones, 2010; Matlay, 2010; Nabi, Holden & Walmsley, 2006; Volkmann, Wilson, Mariotti, Rabuzzi, Vyakarnam & Sepulveda, 2009).

Entrepreneurial Career Option

According to Moriano, Gorgievski, Laguna, Stephan and Zarafshani (2012) entrepreneurial career option is a conscious and precise decision made for preference of entrepreneurship as career. Entrepreneurial career is consequently seen as a mental process that orients the individual's decision to become an entrepreneur (Boyd & Vozikis, 1994; Gupta & Bhawe, 2007). Liñán (2008) seen decision to become an entrepreneur depends on individuals' personal attitude, their perceived control over the firm-creation behaviour, and the perceived social pressure to become (or not) an entrepreneur. Whilst, Awang, Ibrahim and Ayub (2013) entrepreneurial career decision depends on individual's beliefs that performing the behaviour will result in desirable outcomes.

Student's entrepreneurial career decision is often to be influenced by a variety of factors such as the dynamic career world, personal attributes, characteristics of individual career option, financial aspects, education-related factors, family background and role models (Douglas & Fitzsimmons, 2008; Liñán & Chen 2009; Liñán, Rodríguez-Cohard, & Rueda-Cantuche, 2011; Kroon & Meyer, 2001; Von Broembsen, Wood & Herrington, 2005; Zhang, Duysters & Cloudt, 2013). In addition, individual personal attributes such as entrepreneurial self-efficacy, need for achievement, self-confidence, need for independence and autonomy, are perceived as the major determinants for entrepreneurial career (Douglas, & Shepherd, 2002; Martinez, Levie, Kelley, Saemundsson & Schott, 2010). However, entrepreneurship educators should consider how their modules and teaching approach in entrepreneurship may affect students' attitudes and intentions towards entrepreneurial career (Byabashaija & Katono, 2011; Hussain & Norashidah, 2015; Kroon & Meyer, 2001; Morris, Webb, Fu, & Singhal, 2013; Nieuwenhuizen & Groenewald, 2008; Potter, 2008).

Entrepreneurial Self-Efficacy (ESE)

Campo (2011) defined ESE as the degree to which one believes that he or she is able to successfully start a new business venture. Whist, Segal, Borgia, and Schoenfeld (2005) and Wilson, Kickul and Marlino (2007) further state that ESE has been demonstrated to play a key role in determining the level of interest in pursuing an entrepreneurial career. ESE is, therefore,

viewed as having the capabilities that can modify a person's belief in his or her likelihood of completing the tasks required to successfully initiate and establish a new business venture (Bandura, 1986; Solesvik, 2007; Nabi, Holden & Walmsley, 2010; Rae & Woodier-Harris, 2013; Olakitan, 2014). More specifically, entrepreneurial self-efficacy is seen as the degree to which one believes that he or she is able to successfully start a new business venture.

Several studies have established ESE to be a strong driver of entrepreneurial behaviour (Cromie, 2000; Drnovsek, Wnisset & Cardon, 2010; Markman, Balkin & Baron, 2002; Nwankwo, Kanu, Marire, Balogun & Uhiara, 2012) and is anticipated to influence individual choices, goals, emotional reactions, effort, ability to cope, and persistence (Gist, Stevens & Bavetta, 1991). Zhao, Seibert and Hills (2005) and Carr and Sequeira (2007) have indicated that increased self-efficacy yields greater entrepreneurial career intentions. In addition, ESE appears to be an important antecedent of entrepreneurial career (Barbosa, Gerhardt, & Kickul, 2007; Linan, Rodriguez-Cohard Rueda-Cantuche, 2005; Mushtaq, Hunjra, Niazi, Rehman & Azam, 2011; Pruett, Shinnar, Toney, Llopis & Fox, 2009; Rae & Woodier-Harris, 2013; Smith & Beasley, 2011; Souitaris, Zerbinati & Al-Laham, 2007; Zhao, *et al*, 2005). ESE has been empirically tested and found to associate positively to entrepreneurial career in several studies (Chen, Greene & Crick, 1998; Douglas and Shepherd, 2002; Krueger, Reilly & Carsrud, 2000). Higher self-efficacy is associated to entrepreneurship and new venture creation (Frazier & Niehm, 2006; Krueger & Brazeal, 1994; Segal, Borgia & Schoenfeld, 2005). However, individuals with high entrepreneurial self-efficacy ought to have higher degrees of belief that they hold a viable idea for a new business.

Risk preference

Studies established that entrepreneurial events arise with in high-risk business environments (Bridge, O'Neil & Cromie, 2003; Kirzner, 1997; Langlois, 2001; Lim, Lubatkin, & Wiseman, 2010), and suggest entrepreneurs take considerable risks in their activities (Schumpeter, 1934; Casson, 1982; Muller & Dato-On, 2008). Other studies explored the importance of locus of control to risk taking propensity and entrepreneurial career option (Bandura, 1986; Gómez-Mejía *et al.*, 2007; Muller and Thomas, 2001).

Some researchers argued that risk preferences produce greater control of external risks and that leads to entrepreneurial behaviour (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). However, other studies established a strong association between entrepreneurial risk preference, innovative ideas, and entrepreneurial career (Astrachan, 2003; Short, Payne, Brigham, Lumpkin, & Broberg, 2009; Zahra, 2005). Similarly, an increase in entrepreneurial risk

preference tends to strengthen the individual's entrepreneurial behaviour (Ozkan, 2011; Ryan & Wiggins, 2001). Many of these studies call for more research on risk preferences as an important factor for entrepreneurial career decision making (Naldi, et al., 2007; Ozkan, 2011; Zahra, 2005).

Entrepreneurial Education and Entrepreneurial Career

Several studies have been conducted in relation to entrepreneurship education and entrepreneurial career. Among the studies that reported a positive and significant relationship between the two constructs includes Liñán, Urbano and Guerrero (2010); Ellen (2010); Naktiyok, Karabey and Gulluce (2010); Wang, Wei, & John, 2011; Giacomini, *et al.*, (2011); Iakovleva, Kolvereid and Stephan (2011); Hattab (2014); Engle, Dimitriadi, Gavidia, Schlaegel, Delanoë, Alavarado, He, Buame and Wolff (2010); Rae and Woodier-Harris (2013); Molaei, Zali, Mobaraki and Farsi (2014); Abdulai (2015).

However, studies also reported entrepreneurship education has a negative effect on entrepreneurial intention (Packham, Jones, Miller, Pickernell & Brychan, 2010; Von Graevenitz, Harhoff & Weber 2010; Oosterbeek, Van Praag & IJsselstein 2010; Beynon, Jones, Packham & Pickernell 2014). In addition, other studies revealed the average relationship between entrepreneurship education and entrepreneurial career is ambiguous and cannot be classified as either positive or negative, these include Acs, Arenius, Hay & Minniti (2005); Lee, Wong, Foo & Leung 2011; Souitaris *et al.*, (2007); Jones, Jones, Packham and Miller (2008); Parker (2009); Bernhofer and Li (2014). Hence, the above results signify inconsistent findings in relationship between entrepreneurship education and entrepreneurial career.

Furthermore, several studies suggest that entrepreneurship education will only have effects on entrepreneurial career if it changes the fundamental attitudes and perceptions of individuals in relation to entrepreneurial career such as; perceived risk preference and entrepreneurial self-confidence (Karimi, *et al.*, 2010; Krueger, *et al.*, 2000; Linan, 2004; Liñán, *et al.*, 2011). However, Hussain and Norashidah (2015) suggest the need of more empirical studies to understand the various factors influencing entrepreneurial career decision in relationship with entrepreneurship education. Similarly, Abdulai (2015) suggests that entrepreneurial ESE should be considered as an intervening variable for research into general perceptions of self-employment and more specifically entrepreneurial career. Therefore, in an attempt to bridge the gap identified the study proposes a model in relationship between entrepreneurship education and entrepreneurial intention using ESE and risk preference as mediating variables.

3. The Proposed Model

The model in figure 1 shows the intervention of entrepreneurial self-efficacy and risk preference assumes mediating effect on the relationship between entrepreneurial education and students' entrepreneurial intention. Based on the empirical evidence above, Shapero's Entrepreneurial Event Model (1982) and the Linan's Entrepreneurial Event Model (2004) have been integrated to provide a strong foundation for the model in this study.

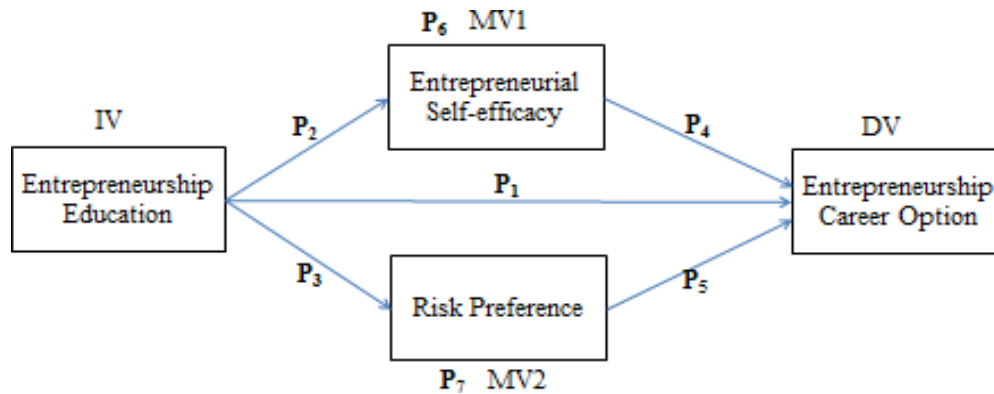


Figure 1: *Proposed Research Model of the Study*

The research model suggests that participation in entrepreneurship education is outlined as positive 'trigger event' as theorized by Sheparo and Sokol (1982) to be an event that stimulates a change process. Therefore, participation in entrepreneurship education is expected to have direct impact on the students' entrepreneurial career decision at first instant. This means that a relationship exists between entrepreneurship education and students' entrepreneurial career choice. However, it is not always that participation in entrepreneurship education directly influences the students' career decision as the literature reviewed indicated. In such instant, the model suggests the present of entrepreneurial self-efficacy as mediating variable in the relationship between entrepreneurship education and entrepreneurial career option.

In addition, to investigate the research problem highlighted above the model proposed following prepositions:

Preposition 1: Participation in entrepreneurial education has a positive impact on students' entrepreneurial career option.

Preposition 2: Participation in entrepreneurial education has a positive impact on students' entrepreneurial self- efficacy.

Preposition 3: Participation in entrepreneurial education has a positive

impact on students' risk preference.

Proposition 4: Entrepreneurial self-efficacy has a positive impact on students' entrepreneurial career option.

Proposition 5: Perceived risk preference has a positive impact on students' entrepreneurial career option.

Proposition 6: Entrepreneurial self-efficacy mediates the relationship between entrepreneurial education and entrepreneurial career option.

Proposition 7: perceived risk preference mediates the relationship between EE and entrepreneurial Intention.

4. Implication of the Study

The study could provide useful insights into the state of entrepreneurship education for a range of stakeholders include policy makers, academics, educational institutions and the public in general. More specifically, the study would serve as a feedback for policy makers and other stakeholders on the level of achievement for the new curriculum of entrepreneurship education in relation to entrepreneurial career choice.

In addition, the study when empirically tested could provide evidence on mediating effect entrepreneurial self-efficacy and perceived risk preference on the relationship between entrepreneurship education and entrepreneurial career option. Therefore, study will offer further validation of previous entrepreneurial career studies and to add to the current literature to facilitate a better understanding of factors influencing the antecedents to entrepreneurial career choice. However, there is need for more empirical researches in this aspect because reviewed literature highlighted a number of problems associated with entrepreneurship education and entrepreneurial career choice in many nations world over and particular the developing countries (Fayolle *at al.*, 2006; Hattab, 2014; Mc Stay,2008).

5. Suggestion for Future Study

There is need for empirical studies to test the proposed propositions and the validity of the model. Furthermore, future studies should employ either a cross sectional and/or longitudinal study, so that the direct effect of the independent variables on the dependent variables could be concluded.

6. Conclusion

Entrepreneurship can be viewed as recognizing change, pursuing opportunity, taking on risk and responsibility, innovating, making better use of resources, creating new value that is meaningful to customers, and doing it

all over again and again. An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. The process of setting up a business is known as entrepreneurship. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services, and business/or procedures.

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