

The triggering factors influencing individual entrepreneurs commerce essay



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Research in entrepreneurship has introduced many aspects of how and why people make decisions in new venture creation (Shane, 2002). Entrepreneurs are often motivated by economic and/or psychological factors. Scholars have agreed that the entrepreneurial process and theories involve a complex set of variables that are beyond any single aspect. To identify motives and incentives of entrepreneurial activities involves disseminating several layers of relationships between personal factors, external forces and other random events (Liang and Dunn, 2007).

From the existing literature we can rationally hypothesize that, the decision to launch a new venture probably includes individual endogenous factors and exogenous factors of the environment. Limited studies have discussed the possibility that individuals who are planning to become entrepreneur might have different triggers to launch new ventures compared to in-business (who are expanding the business) professionals.

Triggers as defined by Liang and Dunn (2007) “ forces in the individuals or in the individuals’ perception of their situation that move them toward the entrepreneurial process”. It is important to distinguish “ triggering factors” and “ triggering events” from “ triggers”. Triggering events are more like “ something happened as an occasion or an episode that influence individual’s assessment on the situation.” Triggering factors could be interpreted as “ issues or features that influence individual’s perspectives about certain situations” (Liang and Dunn, 2007).

Problem Statement

Every day new ventures takes place and new business are created. The reasons behind new business entities come into existent are not explained in the literature with respect to Pakistan. Especially which factors triggers individual to become entrepreneur and which factors triggers individual who are already running the business to go further develop the business.

Significance of the Study

This study measures the triggers, which influences the professionals (who are planning to become and those who wants to expand their business) to become entrepreneurs. In addition to this we will also measure the relationship between the triggers and demographics of individuals.

This study is of major interest to various government organizations like small and medium enterprises (SMEDA), non government organizations (NGO), policy makers of government and business to business organization (B2B). Implications of this research study will help them to identify the pattern of individuals, who wants to become entrepreneurs and which triggers them to think about starting new venture.

Literature Review

The purpose of the literature review is to outline the triggers identified by various researchers/authors and to analyze the dimensions in which different author's works on the entrepreneur's triggers.

At a basic level, entrepreneurship is recognized as a highly personalized activity. The entrepreneur is motivated to create a venture, which reflects

their vision and ambitions, and is prepared to review and reorganize their social environment to make it materialize (Morrison, 2000).

Characteristics of entrepreneurs identified by various authors (Longenecker, Moore, & Petty, 2000; Scarborough & Zimmerer, 2000; Bhide, 2000) are high achievement drive, action oriented, optimism, opportunistic, internal locus of control, tolerance for ambiguity, moderate risk taking, commitment/tenacity, commitment, initiative, independence or some form of one or more of these. These authors also determines motivation related to new venture formation, to enjoy what individuals are doing, revolves around the opportunity to gain control over personal lives/independence, to achieve personal goals and recognition, to get profits/financial rewards, and to make a difference/contribute to society.

The key of the entrepreneurship process initiations depends within the individual of the society and the extent to which individuals wants to enter in new ventures and holds the spirit of enterprise (Morrison, 2000).

McClelland, (1961) identified common characteristics and behaviors, Those which emerged relative to all the entrepreneurs are: they bring intelligence and sound analytical skills to bear on risk management; they are all in some respect deviants from the social norms within their countries; to differing degrees they exhibit strong moral, work and business ethics; irrespective of industry sector a strong “ trader’s” instinct is apparent; they are committed to life-long learning through both formal and informal mechanisms; and extensive use is made of both informal and formal networks.

Morrison et al., (1998) proposed that the entrepreneurship is initiated by the personal, society and culture intuition. Entrepreneurship is not only initiated by the economic aspects but it involves material, immaterial and idealism functions. The fundamental nature of the entrepreneurship is the use of innovatory process and the risk bearing by the individual, through which individual wants to bring change in both a social and economic nature of his own and the society.

Kirzner (1979) believes that the source of entrepreneurship within the human spirit flourish when there is uncertainty and competition. This enterprising spirit in terms of inspirational means is described by Gilder (1971, p 258).

The spirit of enterprise wells up from the wisdom of ages and the history (of the west) and infuses the most modern of technological adventures. It joins the old and new frontiers. It asserts a firm hierarchy of values and demands ad hard discipline. It requires a life of labor and listening, aspiration and courage. But it is the source of all we are and can become, the saving grace of democratic politics and free men, the hope of the poor and the obligation of the fortunate, the redemption of an oppressed and desperate world.

Longenecker, Moore, Pettit, & Palich (2006) suggested that entrepreneurs wanted to make money, become their own boss, escape a bad situation, enjoy and satisfying life, and contribute to the community.

Bygrave (1989) discussed entrepreneurship as a process that involved triggering event, innovation, implementation, and growth. In the triggering event stage he suggested that there were sociological, personal, and <https://assignbuster.com/the-triggering-factors-influencing-individual-entrepreneurs-commerce-essay/>

environmental factors that led to entrepreneurship. Again, both internal and external forces seemed to be at play.

Culture is an important variable in entrepreneurship because it establishes the attitudes of individuals towards the commencement of entrepreneurship (Vernon-Wortzel and Wortzel, 1997). Every era produces its own models of entrepreneurship according to its specific needs of the host society; however, it has been described consistently using terms such as innovative, holistic, risk-taking and co-coordinating ways of behavior. Certain cultural institutions may facilitate, or hinder, entry into entrepreneurship. Thus, it is proposed that the culture of societies and the characteristics of people living in these societies, impacted by certain innate personality traits, will influence the degree to which entrepreneurship is initiated (Morrison, 2000).

The above provided argument by the Morrison, (2000) is supported by the Bateman (1997), those economies and regions which have flourished in the late 20th century, have in common a business culture, which can be broadly described as “entrepreneurial”. It is attuned to the needs of a changing market economy and receptive to changing demands, innovations, products, opportunities and technologies. Entrepreneurship has been found to be important and meaningful in society at points of transition, for example, traditional to modern, modern to post-modern and state-controlled economies to free-market. At each of these points, entrepreneurship is harnessed by societies as a common approach to solving dilemmas, to break old, stable and hierarchical traditions and institutions and to introduce new, innovative ways of behavior. Thus, it is suggested that entrepreneurship can

be regarded as an instrument for changing the culture of an era (Morrison, 2000)

According to Timmons (1994, p. 9) about entrepreneurial behavior is, what is needed is a favorable environment which combines social, political and educational attributes. In particular it requires: A culture that prizes entrepreneurship, an imperative to educate our population so that our entrepreneurial potential is second to none; and a government that generously supports pure and applied science, fosters entrepreneurship with enlightened policies, and enables schools to produce the best educated students in the world.

Dollinger (1995) discussed what he characterized as the “ impetus for entrepreneurship.” He discussed the “ Sociological Approach” which focused on four factors that led entrepreneurs toward new venture creation. “ Negative displacement” was where individuals were marginalized from society, because of who they were or their situation including being fired or not satisfied with their current employment or divorced. “ Between things” included individuals between stages of their life. “ Positive pull” included other people (potential collaborators, parents, customers) who provided an impetus to entrepreneurship. “ Positive push” included entrepreneurs who, because of their education or situation, were pushed toward entrepreneurship. Individual factors or a combination of any of these factors could move the entrepreneur toward new venture creation.

The manner, in which the young are conditioned from an early age through the formal education system, and the fact that dominant approaches are

frequently reinforced within family life, plays a significant role in the initiation of characteristics generally associated with entrepreneurial behavior (Gibb, 1996).

It has been identified that a characteristic of entrepreneurship is that it tends to pervade family life, with the entrepreneur being unable to divorce business from social living (Deakin, 1996). In this respect, family background plays a role in two ways. First, if an entrepreneur has previous experience of the effect of entrepreneurship from a family member they are more prepared for the consequences of their own activities. Second, family support of entrepreneurship can make a positive contribution to its sustenance. For all the entrepreneurs represented in the study, positive immediate family support for their entrepreneurial behavior had played an important part in its sustenance. What was also identified as of significance was the role of the extended family in enabling access to funds and markets to support individual entrepreneurs in the creation and development of their businesses

Within some societies there is a practice of saving for the future, while within others the focus is on living and spending to enjoy the moment. This has an implication for the amount of personal funds that may be available for investment in business. The dominant cultural attitudes, values and beliefs of a population at one particular point of time will result in a particular common mind-set relative to the degree to which entrepreneurship is supported by society (Gilder, 1971).

The entrepreneur in terms of who he/she is and what he/she does, which has often resulted in characterizing persons who might be more likely to become entrepreneurs than others (Rerup, 2005). To date, scholars suggest three broad types of entrepreneurs, namely (a) Nascent, (b) Novice, and (c) Habitual entrepreneurs (see e. g. Birley and Westhead, 1993; Kolvereid and Bullvåg 1993; Wright 1997; Westhead and Wright, 1998). The (a) nascent entrepreneur has not yet engaged in an entrepreneurial venture but has a general aspiration of establishing a business. The (b) novice entrepreneur has established one venture but does not have any prior entrepreneurial experience (Westhead et al. 1998). Lastly, the (c) habitual entrepreneur has established at least one other business prior to the current venture, hence possesses prior entrepreneurial experience. At some point, all entrepreneurs are nascent and then novice.

Hall (1995) who divides habitual entrepreneurs into four sub-types; namely serial entrepreneurs, portfolio entrepreneurs, serial inheritors or serial management buy-outs (MBO's) /management buy-in's (MBI's), and multiple corporate entrepreneurs. Serial and portfolio entrepreneurs have repeatedly engaged in the creation of new ventures Serial entrepreneurs exit (close or sell) their current business before establishing a subsequent venture, whereas portfolio entrepreneurs keep ownership in more than one business at a time; hence have ownership stakes in a portfolio of businesses. In contrast, serial corporate entrepreneurs (or intrapreneurs) are persons who create new combinations of resources or realize new business opportunities in existing companies. Both, inheritors or serial MBO/MBI entrepreneurs are

not traditionally regarded as true'entrepreneurs because MBO's and MBI's do not create new businesses per se (Deakins and Freel, 2003).

Objectives of the Study

The main purpose of this study is to investigate theoretically and test empirically which triggering factors influence individuals to become entrepreneur or expand their existing business.

Research Questions:

To measure the research objectives following research questions have been developed:

Does education of the person influence as triggering factor to become entrepreneur?

Does experience of the person influence as trigger to become entrepreneur?

Does idea generation quality of the person influence as triggering factor to become entrepreneur?

Does financial strength triggers a person to become an entrepreneur?

Does Inheritance of a person influence as triggering factor to become an entrepreneur?

Research Hypotheses

To answer the research questions formulated, we developed the research hypotheses, which are as follows:

HA1: Education has a relationship with triggers that influences person to become entrepreneur.

HA2: Experience has a relationship with triggers that influences person to become entrepreneur.

HA3: Idea generation has a relationship with triggers that influences person to become entrepreneur.

HA4: Financial Strength has a relationship with triggers that influences person to become entrepreneur.

HA5: Inheritance has a relationship with triggers that influences person to become entrepreneur.

To answer the first research question alternate hypothesis HA1 has been developed. To answer the second research question HA2 has been developed. Similarly research question no. third, fourth and fifth is answered by hypothesis HA3, HA4 and HA5 respectively.

Conceptual Frame Work

The conceptual frame work of this study is taken from the study of Liang and Dunn (2007).

Dependent Variable

Independent Variable

Education

Inheritance Education

Trigger to Become Entrepreneur

Financial Strength Inheritance Education

Experience

(

Idea Generation Inheritance Education

Research Methodology

Research Instrument

A close ended structured questionnaire was developed to collect the data.

The questionnaire consists of two parts. In the first part personal characteristics of the respondents and in the second part triggers are provided. All the variables of the questionnaire are taken from the study of Liang and Dunn (2007).

First part of the questionnaire consists of the following variables gender, education level, age, marital status, type of business and years of experience of respondents. In the second part 42 entrepreneur triggers were mentioned and respondents were asked to indicate the importance of each trigger. Where 1 is taken as least important and 5 is taken as most important. Triggers were not presented in the groups so that an unbiased ranking can be obtained.

Data Collection

Data was collected from the entrepreneurs who are running their business of construction; wholesaler or they are involved in some kind of manufacturing activities. Data was collected from the entrepreneurs from the cities of Islamabad and Rawalpindi. All the responses were filled under the administration of the authors of the study.

Sample Size

The total sample size was 70 entrepreneurs from Islamabad and Rawalpindi. While collecting the data emphases were given on equal representation of both the cities.

The characteristics of the respondents

The characteristics of the respondents are as follows: Age of the respondents is shown in the figure no. 1 below. We found that most of the respondents belong to age group of 50-60 years.

Figure 1

Number of people employed in the respondent's organization can be seen in the figure 2.

Figure 2

The type of business in which respondents are can be seen in the figure 3. We found that most of the entrepreneurs belong to wholesale / distributing business.

Figure 3

Working experience of the respondents can be seen in the figure 4.

Figure 4

Results Discussion

Data Analysis Techniques

The data was analyzed using the softwares SPSS version 15 and Microsoft Excel 2007. Data was analyzed using the following tests. Cronbach's alpha for internal consistency. Correlation to check the relationships between the independent variable and dependent variable. Regression analysis to measure the effect of one independent variable on dependent variable.

Cronbach's Alpha

To check the internal reliability of the variables, Cronbach's Alpha was run.

Correlation Analysis

Correlation is a statistical tool which can determine the strength and direction of relationship between two variables. The value of correlation ranges from +1 to -1 and both these values show strong positive and negative relationships. While the value 0 show no relationship. Pearson correlation was run to check the relationship between the independent variables and the dependent variables. Complete results of the correlation analysis are shown in the table 5. Table No. 5 below suggests that all the variables are positively correlated to dependent variable Entrepreneurship.

Figure 5

Correlations

Education

Experience

Entrepreneurship

Inheritance

Idea Generation

Financial Strength

Education

Pearson Correlation

1

. 769(**)

. 717(**)

. 747(**)

. 576(**)

. 553(**)

Sig. (2-tailed)

. 000

. 000

. 000

. 000

.000

N

70

70

70

70

70

70

Experience

Pearson Correlation

.769(**)

1

.741(**)

.780(**)

.612(**)

.583(**)

Sig. (2-tailed)

. 000

. 000

. 000

. 000

. 000

N

70

70

70

70

70

70

Entrepreneurship

Pearson Correlation

. 717(**)

. 741(**)

1

. 680(**)

. 656(**)

. 479(**)

Sig. (2-tailed)

. 000

. 000

. 000

. 000

. 000

N

70

70

70

70

70

70

Inheritance

Pearson Correlation

. 747(**)

. 780(**)

. 680(**)

1

. 611(**)

. 518(**)

Sig. (2-tailed)

. 000

. 000

. 000

. 000

. 000

N

70

70

70

70

70

70

Idea Generation

Pearson Correlation

. 576(**)

. 612(**)

. 656(**)

. 611(**)

1

. 508(**)

Sig. (2-tailed)

. 000

. 000

. 000

. 000

. 000

N

70

70

70

70

70

70

Financial Strength

Pearson Correlation

. 553(**)

. 583(**)

. 479(**)

. 518(**)

. 508(**)

1

Sig. (2-tailed)

. 000

. 000

. 000

. 000

. 000

N

70

70

70

70

70

70

** Correlation is significant at the 0. 01 level (2-tailed)

The most correlated variable was experience which has Pearson correlation value of . 769 and significance value of 0. 000. It was followed by Inheritance with Pearson correlation value of . 747 and significance value of 0. 000. Idea Generation and Financial Strength comes third and fourth with Pearson value . 576 & sig. value of 0. 000 and Pearson value of 0. 553 and sig. value of 0. 000 respectively. The relationship between all variables is significant at $\hat{I} \pm 0. 01$. All relationship shows a positive and moderate to strong relationships.

Multiple Regression Analysis

In order to test the developed hypotheses and since we have more than one independent variable, so multiple regression analysis was run to check the relationship between variables.

Variables Entered/Removed (b)

Model

Variables Entered

Variables Removed

Method

1

Inheritance, Financial Strength, Idea Generation, Education, Experience(a)

•

Enter

a All requested variables entered.

b Dependent Variable: Entrepreneurship

Model Summary

Model

R

R Square

Adjusted R Square

Std. Error of the Estimate

1

.806(a)

.650

.622

.41431

a Predictors: (Constant), Inheritance, Financial Strength, Idea Generation, Education, Experience

ANOVA(b)

Model

Sum of Squares

df

Mean Square

F

Sig.

1

Regression

20. 386

5

4. 077

23. 753

. 000(a)

Residual

10. 986

64

. 172

Total

31. 371

69

a Predictors: (Constant), Inheritance, Financial Strength, Idea Generation, Education, Experience

b Dependent Variable: Entrepreneurship

Coefficients(a)

Model

Un-standardized Coefficients

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Standardized Coefficients

t

B

Std. Error

Beta

B

1

(Constant)

.404

.350

1.155

Education

.268

.123

.276

2.175

Experience

. 296

. 123

. 331

2. 402

Idea Generation

. 275

. 101

. 272

2. 725

Financial Strength

-. 043

. 098

-. 042

-. 437

Inheritance

. 060

. 109

. 071

. 548

a Dependent Variable: Entrepreneurship

Hypotheses Testing

Hypothesis One:

The hypothesis postulates that education has a relationship with triggers that influences person to become entrepreneur.

Hypothesis developed is:

HA1: Education has a relationship with triggers that influences person to become entrepreneur

The results of multiple regression analysis to check the alternate hypothesis HA1 is as follows:

We reject the null hypothesis and accept the alternative hypothesis as in the coefficients table of the regression analysis, value of t is 2. 175 which is more than +2 thus making it a useful predictor and sig. value is 0. 033 which is less than 0. 05 ($0. 033 < 0. 05$) So, we accept alternative hypothesis and conclude that education has a relationship with triggers that influences person to become entrepreneur.

Hypothesis Two:

This hypothesis postulates that the experience has a relationship with triggers that influences person to become entrepreneur. So, the hypothesis is developed as:

HA2: Experience has a relationship with triggers that influences person to become entrepreneur

The results of regression analysis to check the alternate hypothesis HA2 is as follows

We reject the null hypothesis and accept the alternative hypothesis as in the coefficients table of the regression analysis, value of t is 2.402 which is more than +2 thus making it a useful predictor and sig. value is 0.019 which is less than 0.05 ($0.019 < 0.05$) So, we accept alternative hypothesis and conclude that experience has a relationship with triggers that influences person to become entrepreneur.

Hypothesis Three:

This hypothesis describes that the idea generation has a relationship with triggers that influences person to become entrepreneur. Hypothesis developed in this regard is:

HA3: Idea generation has a relationship with triggers that influences person to become entrepreneur.

The results of regression analysis to check the alternate hypothesis HA3 is as follows

We reject the null hypothesis and accept the alternative hypothesis as in the coefficients table of the regression analysis, value of t is 2.725 which is more than +2 making it a useful predictor and sig. value of 0.008 which is less than 0.05 ($0.008 < 0.05$) So, we accept alternative hypothesis and conclude that idea generation has a relationship with triggers that influences person to become entrepreneur.

Hypothesis Four

Through this hypothesis, we are intended to check whether Financial strength has relationship with triggers to become a entrepreneurship.

Hypothesis developed is:

HA4: Financial Strength has a relationship with triggers that influences person to become entrepreneur.

The results of regression analysis to check the alternate hypothesis HA4 is as follows

We accept the null hypothesis and reject the alternative hypothesis as in the coefficients table of the regression analysis, value of t is -0.437 which is less than 2, making it not a useful predictor and sig. value of 0.663 which is greater than 0.05 ($0.663 > 0.05$). Beta coefficient is -ve, which also confirms our result. So, we reject alternative hypothesis and conclude that there is no relationship between Financial Strength and triggers that influences person to become entrepreneur.

Hypothesis Five

This hypothesis describes that Inheritance has a relationship with triggers that influences person to become entrepreneur.

HA5: Inheritance has a relationship with triggers that influences person to become entrepreneur.

The results of regression analysis to check the alternate hypothesis HA5 is as follows

In the light of data analysis, we accept the null hypothesis and reject the alternative hypothesis as in the coefficients table of the regression analysis, sig. value is 0. 585 which is greater than 0. 05 ($0. 585 > 0. 05$). So, we reject alternative hypothesis and conclude that there is no relationship between inheritance and triggers that influences person to become entrepreneur.

Overall our model is significant with F value of 23. 753 and sig. value of 0. 000. Adjusted R square is 0. 622 which means 62. 2% of the variance in the dependent variable is explained by the predictor variables.

Summary and Conclusion

Demographically, the pre business entrepreneurs are different from in business entrepreneurs. In business entrepreneurs were significantly more male, older, married, more experienced, had more education and were more likely going into wholesale or distribution businesses. The results of this study seem to show that there are significant differences in triggers between pre business and in business entrepreneurs.

We found that majority of our entrepreneur respondents belong to age group of 50-60 it means they are older. Numbers of peoples employed however are younger and majority belongs to age group of 21-30. We also found that a lot of entrepreneurships are in wholesale / distribution business as compared to any other trade. It also means either these two trades have more profit margin or more business opportunities exists in these trades which attracts majority of entrepreneurships in these trades.

Experience also plays a key role for business success. We found that majority of respondents have experience between 13-16 years of working as entrepreneur in their respective trades.

We found that education has a relationship with triggers that influences person to become entrepreneur. We accepted our alternative hypothesis HA1 as analysis showed the value of t is 2. 175 which is more than +2, and sig. value of 0. 033 which is less than 0. 05. So, we accept alternative hypothesis and conclude that education has a positive relationship with triggers that influences person to become entrepreneur.

Our data analysis showed that experience also play a key role as influencing trigger to become entrepreneur. Our data analysis showed the value of t as 2. 402 and sig. value of 0. 019 which is significant. So, we accept alternative hypothesis HA2 and conclude that experience has a relationship with triggers that influences person to become entrepreneur.

Idea generation also affects a person to become entrepreneur. Data analysis for alternative hypothesis HA3 showed there is that idea generation has a relationship with triggers that influences person to become entrepreneur as <https://assignbuster.com/the-triggering-factors-influencing-individual-entrepreneurs-commerce-essay/>

value of t is 2.725 and sig. value of 0.008 which is less than 0.05 (0.008 < 0.05). So, we conclude that idea generation has a relationship with triggers that influences person to become entrepreneur.

HA4 showed there is no relationship between Financial Strength and triggers that influences person to become entrepreneur. Literature also confirms the same. It means that to become an entrepreneur, financial strength and money matters a lot. Our data analysis showed the value of t as -0.437 and p -value of 0.663 which is greater than 0.05 (0.663 > 0.05). Beta coefficient is -ve, which also confirms our result. So, on the basis of analysis we can conclude that there is no relationship between Financial Strength and triggers that influences person to become entrepreneur.

Our data analysis rejects hypothesis HA5 regarding relationship between inheritance and triggers that influences person to become entrepreneur having p -value of 0.585 which is greater than 0.05 (0.585 > 0.05). So, we conclude that there is no relationship between inheritance and triggers that influences person to become entrepreneur.

Among the personal triggers, pre business entrepreneurs were more likely to feel that they were not accomplishing what they could or realizing their potential, and were changing for more satisfying careers.

Idea / Opportunity triggers are also important as influencing factors to become entrepreneur. Entrepreneurs were more likely to rank idea grew out of job, saw idea, pursued it, hobby grew into a business, and bought business higher than other entrepreneurs e. g. saw a customer need, or an opportunity, were among the most important triggers chosen entrepreneurs.
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Financial strength or financial