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How employable individuals turn their focus to start-ups?

An Empirical Study on Factors Motivating Business Students to Move to the Entrepreneurial Sector

Abstract.

This exploratory study is attempts to examine how employable individuals turn their focus to start-ups. Today, majority of employees still practise a more or less self-protective strategy. In this paper the researcher has reported on the results of an empirical study of factors motivating degreed potential employees to move to self enterprising. The deciding factors to become an entrepreneur and of sustainable employment-oriented factors to be analyzed in order to discover how they differ. Participants consisted of 200 students from Malaysia entered final year of business undergraduate and postgraduate programs. Self-administered questionnaires were used to gather data on factors and types of relationships influencing career choice and entrepreneurial intention. The results will serve as a basis for improvement of employment practices and promising entrepreneurial curriculum in universities to support start-ups in creating sustainable businesses.

1. Introduction

Today, employees still act in accordance with employers' official contracts and not making efforts to attract prioritize attention from local independent business owners. This paper's main aim is to take a fresh look into graduates' expectation on the factors motivating employees when

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considering switching jobs if employed and to identify the level of interest as they commence and develop entrepreneurial ventures. The study principally examined why students decide to become entrepreneurs, therefore, seven main issues associated with graduates' motivation as they established, driving and developing their businesses, these being chosen following a process of pilot studying of graduating students.

2. Review of Literature

2. 1. Overview

A number of researchers have attempted to consider factors such as gender, grade point average, duration and field of study and entrepreneurial family background as important factors affecting students' perception and attitudes towards the prospect of new own business formation, and some of these factors clearly enhance or inhibit such tendency (Oakey, Mukhtar and Kipling, 2002).

2. 2. Motivation

Generation of start up ideas have been explored by a number of researchers. Opportunity recognition is dependent on whether the entrepreneur was extrinsically stimulated. A leading entrepreneurship text has recognised the " important implications for entrepreneurs who need to be creative in their thinking" and of the concept that creativity can be learned or enhanced (Timmons & Spinelli, 2008). The three types of opportunities identification to the field of entrepreneurship as established by Sarasvathy, Dew, Velamuri, and Venkataraman (2003) are recognized, discovered and created. There are various motives to start a new venture. According to Amit, McCrimmon, Zietsma and Oesch (2001), money is important but not necessarily most

important. They argue that some of the key non-monetary motives for starting up a business include the wish to be independent and the combination of work and household responsibilities. These start-up motives may have important consequences for the degree of (over)optimism that characterizes (promising) entrepreneurs.

For example, if an entrepreneur is mainly driven by wealth creation, it may be expected that (s)he is more likely to be disappointed if the turnover in the first year is relatively low. If the entrepreneur is driven by the wish to be independent, (s)he may be unpleasantly surprised by the strong reliance upon a limited number of clients or the bank. If the primary start-up motive is exploiting a perceived opportunity, the entrepreneur may be faced with other people who came up with the same idea or possibly an overestimated market demand for the (new) product.

Gilad and Levine (1986), agreed in their analysis on intrinsic and extrinsic that there are discrimination between start-up motives. Intrinsic motives include the desire for independence and combining work with care for family members. Entrepreneurs who are driven by such motives will probably be less inclined to set unrealistically high pecuniary goals. Extrinsic motives include two categories: pull and push factors. An opportunity of perceived profit is an important pull factor of entrepreneurship, while (the threat of) unemployment is a well-known push factor. Regarding the exploitation of opportunities, As Hayward, Shepherd and Griffin (2006) argued, initiators of new ventures with overconfident will execute too much capital to the opportunities. If entrepreneurs are 'blinded' by their own ideas and fail to adequately assess the competition and the (potential) problems to transform
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the opportunity into a profitable venture, over optimism is around the corner. Those who under employment or unemployment, belief that creating new businesses promising more expected utility (Douglas & Shepherd, 2000; Van Praag & Cramer, 2001).

3. Methodology

Gartner (1989) proposed that a common limitation of studies into the predictors of entrepreneurial intentions is the failure of investigators to choose samples that are (1) comprised solely of people who are serious about entrepreneurship and (2) who are in the process of making the decision to become involved in creating a new business. Krueger, Reilly and Carsrud (2000) find that studies comprising samples of upper-division college students can uncover job-related preferences at a time when respondents are struggling with important career decisions. Therefore, it is acceptable and appropriate to investigate entrepreneurial intent utilizing a sample of upper-class college students. (Brice and Nelson, 2008), it is important to note that the population of interest in their study consists of individuals who perceive that they will become entrepreneurs and not necessarily only those who will actually become entrepreneurs. This difference is significant because while actions has been demonstrated to be predicted by intentions. Therefore, the focus of this research remains at the entrepreneurial intentions level of analysis.

The sample chosen consists of postgraduate and undergraduate business degree program students who were nearing graduation. When students contemplate graduation, they may also develop immediate career plans and long-range goals. The respondents are those from the business disciplines

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because, based on their discipline interest, they have already decided to pursue business-related careers. For that reason, a homogeneous sampling of university college students was included in this study. This study sample consisted of 200 students from University Colleges in Malaysia who participated utilizing a structured questionnaire data collection methodology. Subjects consisted of final (3rd) year business undergraduates and final year Master of Business Administration (MBA) students in the concentrations of management. They were appropriate primarily because their academic concentration implied that they had serious interest in pursuing a business career.

Based on literatures to establish the major impressions and domains associated with start up intentions, the researcher has gathered his own survey instrument with a series of 29 employment -self employment related motivational items that could be feasibly responded by students. The 7 main themes covered by the survey questions include firm and owner characteristics; interest to start-up; motivation to switch job if employed; career preferred timing and industry; medium for seeking employment: desire and prospect of rewards and opportunity; criteria of choosing employers. Many of the items overlapped conceptually, but one of the aims of the pilot study was to trim the study items after determining which preeminent represented the constructs. The researcher contacted students directly via targeted groups of respondents list originating from the Faculty of their academic major program. Responses were gathered on a 5-point Likert scale ranging from 1 = “ extremely undesirable” to 5 = “ extremely desirable.” and total scale score was obtained by averaging the nine

questions. Any items with a negative valence were reverse coded so that higher scores were indicative of favorable entrepreneurial -related motivations. Table 1, shows the hypotheses to be tested in this study.

4. Analysis and Results

Students' primary motivations to start-up were probed once all the related information from the respondents was entirely obtained. In order to establish instrument reliability, Cronbach's coefficient alpha was computed. The reliability coefficient was 0. 71 which indicates that the instrument was reliable in its measurement of determinants for start ups. Information pertaining to each respondent's age, gender, and expected salary was obtained to use as control variables in the analysis. Each of these control variables was recorded as non-continuous, categorical predictors. Then, data reduction technique is used to unfold the information embedded in the survey data.

Hypothesis 1: Intention for independent business start-ups is higher than joining established firms

After elimination of subjects with survey questionnaires were only partially completed, the final sample totalled 196 students. As shown in Table 2, this sample was equally represented between the genders, consisting of 107 (54. 6%) males and 89 (45. 4%) females. Subjects were primarily graduating undergraduate business students (65. 8%) and graduating postgraduate students (34. 2%). In fact, there were 129 bachelor degree students who aged below 25 years than MBA students who aged 26 and above. The majority of subjects were expecting salary between RM5001- RM15000 (56.

2%) which is not in accordance or earnable with employment even in established firms.

Students' responses for exploring into entrepreneurial sector were gathered on a 5-point Likert scale ranging from 1 = " Very Keen" to 5 = " Not interested at all." Since the mean, median and mode values are very close to each other, it shows the data is symmetrical. The mean for the 196 students is 2. 08 with a standard deviation of 1. 088. The Trimmed mean value of 2. 01 is similar to the mean above. Hence, shows there are no outliers in the data set. In this survey, since the sample size is 196, the Kolmogorov-Smirnov test is used. The p-value of the test is less than 0. 001. Hence, the data is not distributed normal.

Of the 196 students, 77 (39. 3%) very enthusiastic towards start-ups, 52 (26. 5%) eager to start-up, 46 (23. 5%) open to any opportunity, and 16 (8. 2%) to consider start-up option. Out of total, 5 (2. 6%) prefer employment.

Since the correlation value is within 0. 5 to 0. 8, start-up intention among degree students is said to correlate " adequately" with at least one other variables in the construct. In this survey, the KMO value is 0. 819, which is considered good. Bartlett's test of sphericity is used to analyse whether the correlation matrix is an identity matrix. Identity matrix can be ruled out if the p-value of the test is less than 0. 05 (Karuthan and Krishna, 2009). In this model, since the p-value is less than 0. 001, the researcher proceeds with factor analysis.

Since the researcher wanted to study the underlying construct among the six variables: Curiosity, Interest, Consideration, Preparation, Setting Up and <https://assignbuster.com/how-employable-individuals-turn-their-focus-to-start-upsnhow-employable-individuals-turn-their-focus-to-start-ups/>

Start-up Timing. This is a single underlying concept; therefore, it is called the “ Start-up Intent Structure”. Since the “ Start-up Intent Structure” varies from person to person, it is a variable too. However, it cannot be measured by physical means. Hence, it is called a latent variable or just factor. The model for “ Start-up Intent Structure” is given in Figure 4.

In Figure 4, one can visualize six simultaneous regression functions: Curiosity, Interest, Consideration, Preparation, Setting Up and Start-up Timing as the dependents and “ Start-up Intent Structure” as the independent.

$$\text{Curiosity} = L1 \times \text{“ Start-up Intent Structure”} + e1$$

$$\text{Interest} = L2 \times \text{“ Start-up Intent Structure”} + e2$$

$$\text{Consideration} = L3 \times \text{“ Start-up Intent Structure”} + e3$$

$$\text{Preparation} = L4 \times \text{“ Start-up Intent Structure”} + e4$$

$$\text{Setting Up} = L5 \times \text{“ Start-up Intent Structure”} + e5,$$

$$\text{Start-up Timing} = L6 \times \text{“ Start-up Intent Structure”} + e6$$

where L_i 's are called the factor loadings and e_i 's are the error terms.

Table 4. 1, since there are 6 variables in this analysis, 6 components (or factors) are listed in the first column. The respective eigen values and percent of variance explained are provided in the next two columns. For Factor 1, the eigen value is 3. 109 and the variance is 51. 811% of the total variance. For factor 3, 4, 5 and 6 the eigen value is less than the default

value of 1. In the same table, under “ Extraction Sums of Squared Loadings”, only two factors are listed, corresponding to the factors for which the eigen values is more than 1. Based on the cumulative % column, these factors explain 68. 792% of the total variance in the 6 original variables. According to Karuthan and Krishna, (2009) established that, in social sciences, at least 50% of the total variance in the variables in analysis must be explained by the factor of factors. In this survey, a single factor extracted explains more than 50% of the total variance in the original variables.

Hypothesis 2: Motivations to switch job if employed in established firms associated with independent business start-ups

One way Analysis of Variance is used to test if there is a difference in means between motivation variables. Based on Kruskal Wallis Test (Table 5) for the mean ranks, obviously, the degreed students are looking for a more challenging career in terms of expanded scope of work, more responsibilities and change in career path rank much higher compared to the students who looking to join a more established and stable organisations. On the other hand, 82. 20% students feel that they need to escape from unfavourable office working environment such as not happy with peers, bosses, office politics and etc. Table 3. 1, supports students interest, whereby 97. 4 cumulative percent and mean rank shown probability of considering the new business start-up.

Table 6, the p-value for the Levene’s test for equality of variance is 0. 000, which is less than 0. 05. Thus, equality of variances is not assumed.

Table 7 depicts that the F-value is 3.933 and the degrees of freedoms are 7 and 188. A small F statistic implies that the difference between group means is small and, hence, it could be concluded that there is no difference between the group means. The p-value of the test is 0.000, which is less than 0.05 and the eta-squared value of 0.128, which is less than 0.15, hence, at least one pair of means differ significantly. Therefore there is a need to identify the pair that differs significantly. In this case nonparametric test is performed. Based on Kruskal Wallis Test, the p-value of this test is 0.000, which is less than 0.05. Thus, at least one reason differs in terms of motivation towards self-employment rather employment.

From the mean of all motivation constructs, it could be argued that most students are keen to start their own business (mean rank 109.37) and the main motive for start-up rather than considering employment is looking for more challenging career (mean rank = 110.89), followed by working environment reasons (mean rank = 82.20) and the need for financial security (mean rank = 68.96). The researcher identified two types of potential entrepreneurs depending upon their purposes at the time of commencing the business: firstly “self-regulating” who placed high priority on not having to work for others, and secondly, “company-men” who builds the organization.

This research obtains interesting findings and makes important tri-party contributions for students as future entrepreneurs, for policy makers in large established companies and for the decision-makers or curriculum designers of universities. As the results have shown, the motivation that encourages students to start up a new business, their curiosity with the idea of the new <https://assignbuster.com/how-employable-individuals-turn-their-focus-to-start-ups> how-employable-individuals-turn-their-focus-to-start-ups/

business or the hard work they are willing to put in preparation stage of the new business, along with their start-up timing, are key in the start up of the new businesses. Observing this principle, the new businesses are formed not only by those graduates who can do it, however, by the graduates who to do it coupling with those who have the “acquired eagerness” to do that.

However, policy makers in established companies need to ensure that their employees working in a conducive office working environment with focusing more on employee relationship management. That probably will prevent employees to switch job looking for favourable working environment which free of office politics. Within this framework, educators are playing a very important role. Recently, Malaysian universities and governmental bodies have made efforts which include courses on new venture creation, however, it is not sufficient since the subject is not practiced or implemented from the lowest levels of schooling.

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