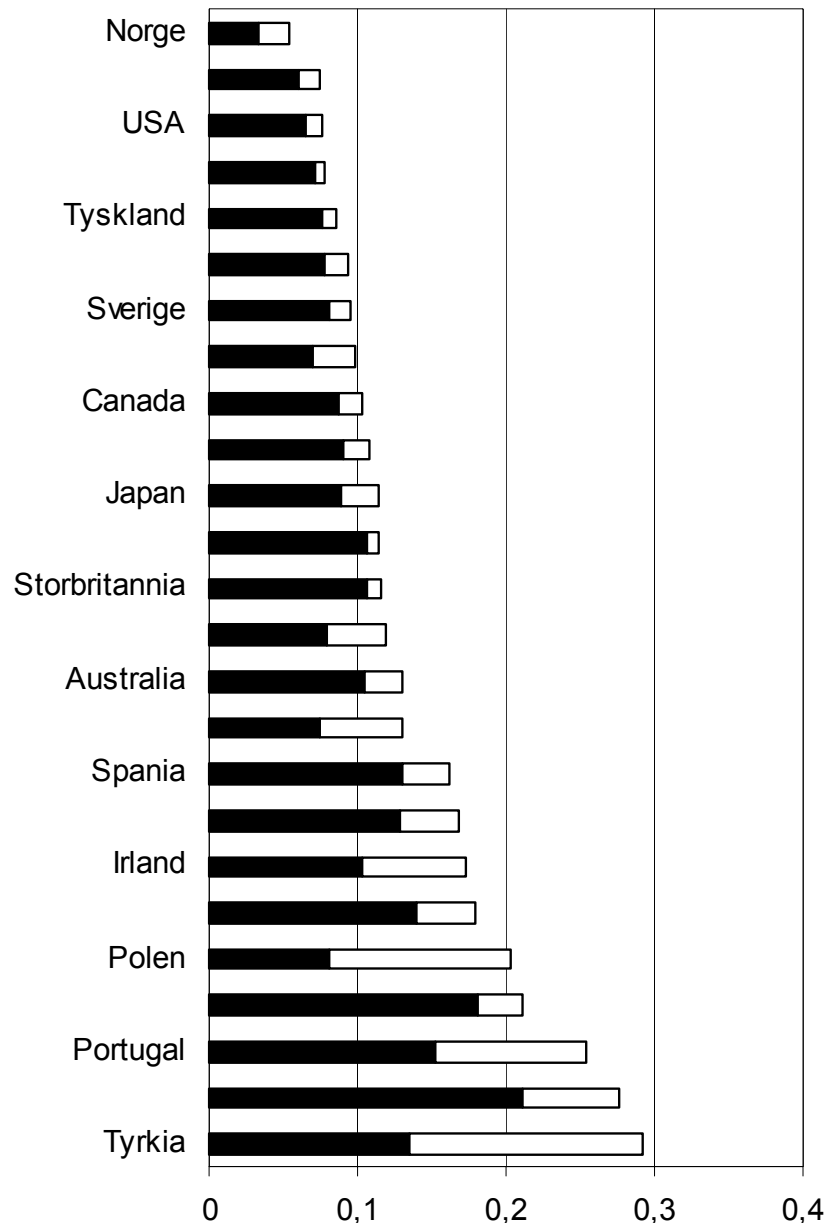


Entrepreneurial intentions and new business start-ups

Professor Lars Kolvereid, PhD
Bodø Graduate School of Business

EMPLOYMENT STATUS CHOICE

“The vocational decision process in terms of the individual’s decision to enter an occupation as a wage-or salaried individual or a self employed one” (Katz, 1992, p. 30).



Self-employment within secondary industries (black) and primary industries (white) in 1997. Source: OECD.

Which factors determine employment status preferences?

- **DEMOGRAPHICS:**
 - sex
 - age
 - self-employment experience
 - family background, role models
 - first borne
 - etc.
- **PSYCHOGRAPHICS:**
 - attitude toward risk
 - achievement motive
 - tolerance for ambiguity
 - type "a" behavior
 - locus of control
 - etc.
- **GEOGRAPHY:**
 - urbanization
 - unemployment
 - growth in demand
 - income
 - political ethos
 - government support programs
 - etc.

Problems with these approaches

- **Lacking explanatory power**
- **Threats people like “black boxes”**
- **Have few/no implications**

Intentions

- **The psychological concept most closely linked to planned behavior**
- **Better predictor of behavior than attitudes, role models and demographics**
- **Includes motivation**
- **“Theories of organization creation that fail to address motivation are incomplete” (Johnson, 1990, p. 48).**
- **Assumptions:**
 - **The behavior is planned**
 - **The individual controls the behavior**
 - **The intention is specific in content**
 - **The intention is specific in time**

Theories of intentions

- **Shapero's (1975) theory about the entrepreneurial event**
- **Bird's (1988) model about entrepreneurial intentionality**
- **Ajzen's (1991) theory of planned behavior**
- **Quinn's /Ulrich's model of intellectual capital**

Intentions

- **FACTORS THAT DETERMINE INTENTIONS**
 - Attitudes
 - Subjective norms
 - Perceived behavioral control
 - Perceived controllability of behavior
 - Self-efficacy
 - Perceived desirability
 - Perceived feasibility
- **WHICH AGAIN ARE DETERMINED BY SALIENT BELIEFS**
- **FACTORS THAT DETERMINE BEHAVIOR**
 - intentions
 - perceived behavioral control
 - propensity to act

**IF YOU WERE TO CHOOSE BETWEEN RUNNING
YOUR OWN COMPANY OR BEING EMPLOYED BY
SOMEONE ELSE, WHICH WOULD YOU PREFER?**

	SELF- EMPL.	EMPL	DON'T KNOW
FIRST YEAR BUSINESS STUDENTS IN BODØ (1996)	45.5%	37.7%	18.9%
THIRD YEAR BUSINESS STUDENTS IN BODØ (1996)	26.7%	47.5%	25.7%
STUDENTS FROM ST. PETERSBURG (1999)	37.3%	45.5%	15.2%
A RANDOM SAMPLE OF 9533 NORWEGIANS 18+ YEARS OLD IN 1996	24.2%	64.9%	10.7%
A RANDOM SAMPLE OF 1898 NORWEGIANS 18+ YEARS OLD IN 1997	27.6%	61.4%	10.9%

Differences between countries (Flash Eurobarometer 160, 2004)

	SELF- EMPL.	EMPL	DON'T KNOW
FINLAND	28	68	4
NETHERLANDS	33	66	1
SWEDEN	35	61	4
NORWAY	35	60	5
SLOVENIA	32	60	8
BELGIUM	34	58	5
GERMANY	39	56	5
AUSTRIA	37	56	7
SLOVAKIA	30	56	4
DENMARK	39	56	5
FRANCE	42	55	3
UK	41	55	4
CZECK REP	30	55	15
LATVIA	42	53	5
LUXEMBURG	48	49	3
MALTA	44	49	7
ESTONIA	37	48	15
LICHTENSTEIN	48	47	5
GREECE	52	46	2
HUNGARY	42	45	13
POLAND	51	44	5
ITALY	55	42	3
IRELAND	58	39	4
LITHUANIA	52	39	9
SPAIN	56	34	10
USA	61	34	5
PORTUGAL	62	32	4
CYPRUS	56	32	12
ICELAND	58	31	9

Why do people prefer to be employed or self-employed?

250 business graduates, Kolvereid, 1996

SELF-EMPLOYED:

- economic opportunity
- autonomy
- authority
- challenge
- self-realization
- participation in the whole process

EMPLOYED:

- security
- social environment
- work load
- avoid responsibility
- career opportunity

Measuring intentions

- 1. If you were to choose between running your own company and being employed by someone, what would you prefer? (1-7)**
- 2. How likely is it that you will pursue a career as a self-employed person? (1-7)**
- 3. How likely is it that you will pursue a career in an organization? (1-7) (Recoded)**

Correlations between reasons for career choice and employment status choice intentions:

1. 128 first year business students (Kolvereid, 1996)

2. 512 Russian students (Tkachev & Kolvereid, 1999)

	1996	1999
ECONOMIC OPPORTUNITY	.47	.13
AUTOMONY	.57	.30
AUTHORITY	.51	.24
CHALLENGE	.24	.08
SELF-REALIZATION	.34	.16
PARTICIPATE IN THE WHOLE		
PROCESS	.40	.10
SECURITY	-.23	-.11
SOCIAL ENVIRONMENT	-.24	-.05
WORK LOAD	-.42	-.14
AVOID RESPONISIBILITY	-.41	-.13
CARRER	-.04	.14

**Tests of the theory of planned behavior using regression
(Kolvereid, 1996; Thachev & Kolvereid, 1999)**

	1996		1999	
ATTITUDE SUBJECTIVE NORM	.19*	.17*	.11*	.10*
PERCEIVED BEHAVIORAL CONTROL	.40*	.39*	.44*	.44*
SELF- EMPLOYMENT EXPERIENCE (0=NO, 1=YES)	-	.01	-	.00
SEX (0=FEMALE, 1=MALE)	-	.08	-	.00
FAMILY BACKGROUND (0=NO, 1=YES)	-	.06	-	.04
MULTIPLE R	.75	.76	.67	.67
ADJUSTED R-SQUARE	.55	.55	.45	.44

*: P<.05

Test of direct and indirect effects using lisrel (Kolvereid, 1996)

	DIRECT EFFECTS	INDIRECT EFFECTS
ATTITUDE	.183*	-
SUBJECTIVE NORM	.351*	-
PERCEIVED BEHAVIORAL CONTROL	.344*	-
SELF-EMPLOYMENT EXPERIENCE (0=NO, 1=YES)	.100	.233*
SEX (0=FEMALE, 1=MALE)	.093	.089
FAMILY BACKGROUND (0=NO, 1=YES)	-.011	.154*

*: P<.05

Katz' (1992) three hurdles for entrepreneurship

1. PREFER TO BE SELF-EMPLOYED

2. TRY TO START A NEW BUSINESS

3. ENTRY INTO SELF-EMPLOYMENT

	PREFER	TRYING	IS
TOTAL	24.2%	2.2%	6.1%
AGE			
18-24 YEARS	34.1	2.6	1.6
25-34 YEARS	27.8	3.4	5.1
35-44 YEARS	23.5	3.2	8.2
45-54 YEARS	19.8	1.7	9.1
55-64 YEARS	19.8	1.0	9.5
65+ YEARS	21.6	0.1	2.3
GENDER			
MEN	30.4	3.4	9.5
WOMEN	18.7	1.0	3.1
EDUCATION			
7 YEARS	19.2	0.6	5.6
9 YEARS	23.7	2.1	7.8
12 YEARS	25.8	2.2	6.1
13+ YEARS	24.7	2.9	5.3

Demographics and Katz' three hurdles

(9355 randomly selected Norwegians 18+years old; Kolvereid & Olsen, 1996)

	PREFER	TRYING	IS
POLITICS			
SOCIALIST	16.9	1.4	3.5
LIBERAL	29.6	2.7	9.3
CONSERVATIVE	36.2	5.3	6.2
HOUSEHOLD INCOME			
0-99 000	26.9	0.8	2.0
100-159 000	25.3	2.1	3.9
160-199 000	22.4	2.2	6.3
200-299 000	23.2	2.1	6.4
300-399 000	24.3	2.6	7.8
400-499 000	24.7	2.1	6.6
500 000+	26.0	3.5	8.4
NORWEGIAN PARENTS			
YES	24.0	2.1	6.1
NO	33.5	5.2	6.1

	EMPLOYED		SELF-EMPLOYED	
	Prefer employment (n=3031)	Prefer self-employ (n=901)	Prefer employment (n=121)	Prefer self-employ (n=338)
Age				
18-24 years	65.2	34.8	25.0	75.0
25-34 years	71.8	28.2	13.3	80.7
35-44 years	77.4	22.6	26.7	73.3
45-55 years	83.4	19.6	26.9	73.1
55+years	86.4	13.6	31.4	68.6
Chi-square		82.5**		3.7ns
Gender				
Male	72.2	27.8	27.6	72.4
Female	84.0	16.0	22.1	77.9
Chi-square		74.8**		1.2ns
Education				
7 years	80.6	19.4	41.5	58.5
9 years	77.9	22.1	30.1	63.9
12 years	76.1	23.9	28.6	71.4
University	77.4	22.6	12.8	82.7
Chi-square		0.5ns		18.5**
Political ethos				
Socialist	83.6	16.4	24.1	75.9
Liberal	73.6	26.4	23.5	76.5
Conservative	63.9	36.1	26.9	73.1
Chi-square		36.7**		0.1ns
Norwegian parents				
Yes	77.5	22.5	26.6	73.4
No	62.7	37.3	18.2	81.8
Chi-square		12.2**		0.4ns
Household income				
0-199 999	74.9	25.1	43.9	56.1
200-299 000	76.9	23.1	28.1	71.9
300-399 000	77.8	22.2	25.5	74.5
400-499 000	77.0	23.0	21.8	78.2
500 000+	77.3	22.7	22.2	77.8
Chi-square		1.3ns		10.3*

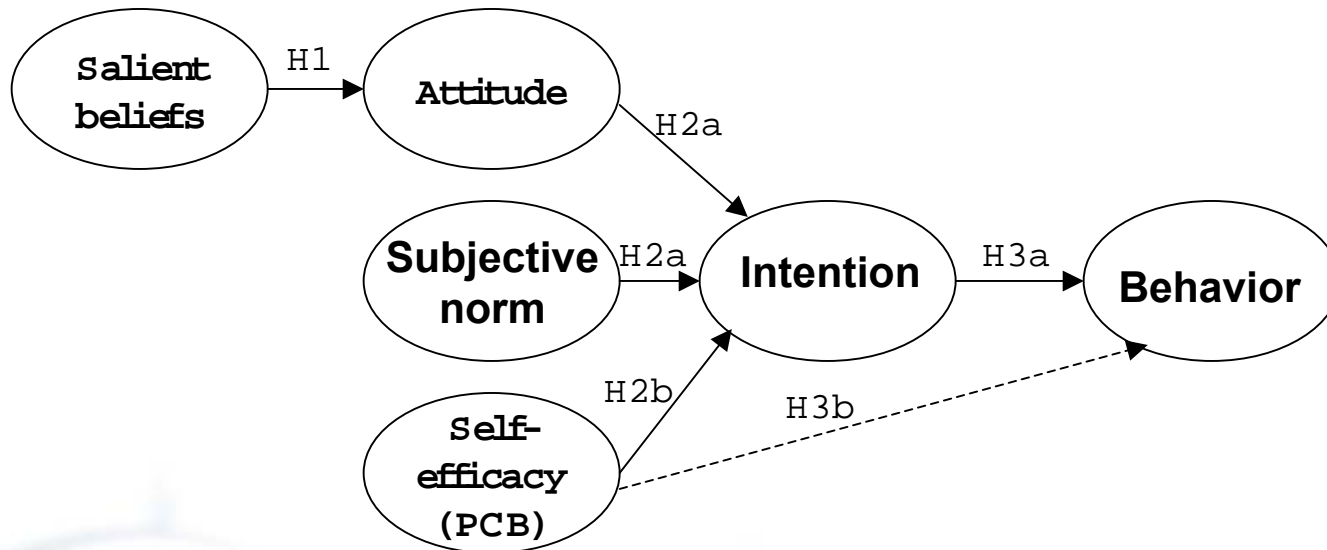
Employment status and employment status preferences (ISSP, 1997)



INVESTIGATING THE EFFECT OF HUMAN AND ENVIRONMENTAL RESOURCES ON THE ODDS OF BECOMING ASPIRING ENTREPRENEURS, NASCENT ENTREPRENEURS, AND BUSINESS FOUNDERS (Rotefoss & Kolvereid, 2005)

	Dependent variables		
	ASPIRING	NASCENT	FOUNDER
HUMAN RESOURCES			
High education	ns	+***	ns
Current experience	+****	+****	+****
Previous experience	+****	+***	+*
Business angel	ns	+**	ns
Discouraged entrepreneur	+****	+****	ns
ENVIRONMENTAL RESOURCES			
Population growth	ns	ns	ns
Unemployment change	+****	+**	ns
Net wealth per capita	ns	ns	-**
Proportion socialists	ns	-**	ns
Industry specialization	+***	+**	ns
CONTROLS			
Age	-****	-****	+**
Gender	+****	+****	ns
Ethnicity	+****	ns	ns

- **NOW WE SHOULD STUDY VENTURE CREATORS RATHER THAN STUDENTS AND USE LONGITUDINAL SAMPLES (Shook, Priem & McGee, 2003)**
- **NEW BUSINESS START-UP AND SUBSEQUENT ENTRY INTO SELF-EMPLOYMENT (Kolvereid & Isaksen, 2005)**
- **DATA FROM 1048 NORWEGIAN NEW BUSINESSES FOUNDED IN WEEKS 21-24 2002.**
- **FOLLOW-UP SURVEY FROM 651 OF THESE 18 MONTHS LATER**
- **ANALYSIS OF 297 OF THESE STILL OPERATING AND NOT STARTED BY PORTFOLIO ENTREPRENEURS**
- **MEASURES**
 - **Salient beliefs about self-employment (Kolvereid, 1996)**
 - **Attitude toward self-employment (Gundry & Welch, 2001)**
 - **Subjective norms (Kolvereid, 1996)**
 - **Entrepreneurial self-efficacy (DeNoble et al., 1999; Chen et al, 1998; al., 2000)**
 - **Intention: How likely are you to be working full-time for the business on one year from now? (1-7)**
 - **Behavior: How many hours do you currently work for the business?**



FINDINGS

Strong support for hypotheses H1, H2a, and H3a

No support for hypotheses H2b and H3b

Land	TEA 2000	TEA 2001	TEA 2002	TEA 2003	TEA 2004
Europa					
Belgia	4,8	4,5	3,0	3,9	3,5
Danmark	7,2	8,0	6,5	5,9	5,3
Finland	8,1	7,7	4,6	6,9	4,4
Frankrike	5,6	7,4	3,2	1,6	6,0
Hellas				6,8	5,8
Irland		12,2	9,1	8,1	7,7
Island			11,3	11,2	13,6
Italia	7,3	10,2	5,9	3,2	4,3
Kroatia			3,6	2,6	3,7
Nederland		6,4	4,6	3,6	5,1
Norge	11,9	8,8	8,7	7,5	7,0
Polen		10,0	4,4		8,9
Portugal		7,1			4,0
Slovenia			4,6	4,1	2,6
Spania	6,9	8,2	4,6	6,8	5,2
Storbritannia	6,9	7,8	5,4	6,4	6,3
Sverige	6,7	6,7	4,0	4,1	3,7
Tyskland	7,5	8,0	5,2	5,2	4,5
Ungarn		11,4	6,6		4,3
Amerika					
Argentina	9,2	11,1	14,2	19,7	12,8
Brazil	21,4	12,7	13,5	12,9	13,5
Canada	12,2	11,0	8,8	8,0	8,9
Ecuador					27,2
USA	16,6	11,6	10,5	11,9	11,3
Asia					
Hong Kong			3,4	3,2	3,0
Israel	7,1	5,7	7,1		6,6
Japan	6,4	5,2	1,8	2,8	1,5
Jordan					18,3
Afrika					
Sør-Afrika		9,4	6,5	4,3	5,4
Uganda				29,3	31,6
Oseania					
Australia	15,2	15,5	8,7	11,6	13,4
New Zealand		18,1	14,0	13,6	14,7
Singapore	4,2	6,6	5,9	5,0	5,7

ENTREPRENEURSHIP AROUND THE WORLD: THE GLOBAL ENTREPRENEURSHIP MONITOR (GEM) PROJECT

HOW BIG IS A NEW BUSINESS?

Kolvereid & Isaksen (2005)

CLASSIFICATION BASED ON 2 QUESTIONS:

1. Is the business likely to provide full time self-employment for the founder?
2. Is the business likely to provide employment for individual(s) other than the founder?

Part time businesses (44,2% of all new businesses) Ideal size 1,0	Outsourced businesses (4,7% of all new businesses) Ideal size 2,0
One-man businesses (30,9% of all new businesses) Ideal size 1,0	Enterprising businesses (20,2% of all new businesses) Ideal size 3,0

How big is a new business?

- **FACTORS SIGNIFICANTLY ASSOCIATED WITH FULL TIME SELF-EMPLOYMENT OF THE FOUNDER**
 - Age (25-44 years old)
 - Education (low)
 - Experienced founder

- **FACTORS SIGNIFICANTLY ASSOCIATED WITH EMPLOYMENT OF INDIVIDUALS OTHER THAN THE FOUNDER**
 - Gender (male)
 - Education (low)
 - Management experience (high)
 - Experienced founder

Factors associated with growth the first year after start-up (Isaksen, 2005)

- **GROWTH:**
 - Number of hours worked in the business per week
 - Sales turnover
 - Invested capital
- **INTENTIONS (+)**
- **ENTREPRENEURIAL HUMAN CAPITAL**
 - Entrepreneurial experience (+)
 - Business similarity (+)
- **DOMAIN DEFINITION STRATEGY**
 - Novelty (-)
 - Team start-up (+)
 - Active capital search (+)
 - Local market (+)

SOME PRACTICAL IMPLICATIONS

- **TO INCREASE ENTREPRENEURSHIP WE SHOULD:**
 - Increase necessity entrepreneurship (not a popular option)
 - Improve conditions for the self employed (e.g. increase security and reduce work load)
 - Change intentions, attitudes, subjective norms and perceived behavioral control through education and young enterprise
 - Educate young people, motivate older people
 - Educate and motivate women
 - Help nascent immigrant entrepreneurs
 - Discourage discouraged entrepreneurs
 - Help highly educated nascent entrepreneurs