

# Entrepreneurial Characteristics among University Students

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## ABSTRACT

Interest in entrepreneurship is intense in all over the world. Entrepreneurship was identified as an engine of economic progression, a way of job creation and as a potential approach for technological progress, product and market innovation. Sri Lanka too witnessed an increasing interest in this field both amongst government policy makers, business leaders and academics. The importance of entrepreneurship and small business to the economy is now widely recognized and the government provides incentives for promoting it among the nationals. However, Sri Lanka is far behind the entrepreneurial movement and over the last few years, graduate unemployment has become a major problem. Currently there are about 30,000 unemployed graduates and current graduates are too pampered and dependent on the government and the private sector for employment. Therefore, it is important to investigate the degree of entrepreneurial inclination of our undergraduates. This study attempts to investigate the association between certain psychological characteristics and entrepreneurial inclination.

**KEY WORDS:** Entrepreneurship, Entrepreneurial Inclination

## INTRODUCTION

Though there is a great deal of interest today, entrepreneurship is not a new concept. However it has been widely recognized during recent past. Earlier it has been identified that the entrepreneurs were born not made. Therefore, even in the education system it has not been given an important reorganization. However, since the entrepreneur is a function of personality, researchers have shown that proportion of personality is inborn and enduring. And researchers have found that certain qualities of entrepreneurs can be developed means entrepreneurs can be made. Therefore, interest and research in entrepreneurship education have been growing over the past few decades (Yusof, Sandhu and Jain, 2007). Factors which strengthen the importance of entrepreneurship are its contribution to increase national economies, as a solution for unemployment problem and

as a potential approach for technological progress, product and market innovation. However, a strong variation existed across countries in terms of frequency and quality of entrepreneurial activities (GEM-Global Report, 2006). Middle-income countries tend to exhibit higher percentages of individuals starting a business compared to higher-income countries (Gurol and Atsan, 2006). As a result of the developing interest in entrepreneurship throughout the world, Sri Lanka too witnessed an increasing interest in this field both amongst government policy makers, business leaders and academics.

## RESEARCH CONTEXT

With the introduction of free market economy in 1977, the importance of entrepreneurship and small business to the economy is now widely recognized and the government provides incentives for promoting it among the nationals. Cultivating an entrepreneurial culture is a difficult task. Though the government is doing lot in this regard we are far behind the entrepreneurial movement in other developed countries. In fact, over the last few years, graduate unemployment has become a major problem. Its severity further

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strengthens by the fact that the graduate output has been increasing since last decade (University statistics, 2006). There are about 30,000 unemployed graduates in the country according to the latest statistics issued by the Department of Census and Statistics. In addition, current graduates are too pampered and dependent on the government and the private sector for employment. Though most of the graduates rely on the government it cannot provide employment opportunities for all. To resolve these issues, a reexamination of our higher education system is needed to find out the stumbling blocks that hinders the growth of entrepreneurship. Not only for self employment or business ownership, the concept of entrepreneurship is important for another subject. The development of entrepreneurship and entrepreneurial skills does not always have to lead to self-employment or business ownership (YEN-NAP Sri Lanka, 2006). It also helps to increase the employability of individuals which is essential in the private sector.

### PROBLEM STATEMENT

Educated youth, especially graduates always place a higher value in the public sector jobs over job opportunities in the private sector and self employment (YEN-NAP Sri Lanka, 2006). The preference for the public sector is influenced by many factors, most importantly stable income and job security. Since many graduates expect a civil service job, it has become a pressing problem for the government today. However the government is not responsible for providing employment for graduates. It is not possible to provide employment for all graduates for any government. University is only an institution from where one can gain knowledge. It is the responsible for the graduates to find employment by themselves without expecting from the government (Kannangara, 2007).

Developing entrepreneurial characteristics among university students is important for two reasons. First, the government itself

cannot provide employment for all the graduates. Second, it helps to increase the employability of graduates. Many graduates rely on government, since they are lack of entrepreneurial characteristics such as creativity, innovation, self-confidence, propensity to take risk, etc. which are identified as essential to start a small business. Everyone exhibit these characteristics up to a certain extend. Naturally only few of us, have those qualities beyond that limit, which motivate us to become entrepreneurs. However, for many, those characteristics are required to be stimulated and shaped to a certain extend that helps them to choose entrepreneurial career.

The research problem has built around the fact that, the graduates are lacking of entrepreneurial characteristics and therefore exhibit low motivation to engage in self employment. Hence, this research intends to study the self employment inclination of Management undergraduates in Sri Lanka. Further, a significant effort will be taken to investigate to what extend undergraduate exhibit entrepreneurial characteristics and the relationship among the entrepreneurial characteristics and the relationship between those characteristics and self employment inclination.

The research problem can be narrowed down as follows;

“To what extend Sri Lankan undergraduates exhibit entrepreneurial characteristics and their relationship with entrepreneurial inclination”

### RESEARCH OBJECTIVES

The primary objective of this research was to explore the entrepreneurial profile of Sri Lankan university students by taking the psychological characteristics of school as the basis. The secondary objective of this study was to investigate the impact of demographic and family characteristics on entrepreneurial inclination.

## LITERATURE REVIEW

A wide range of personality characteristics has been cited as entrepreneurial characteristics in the literature. Hornaday listed 42 entrepreneurial characteristics from a survey of various publications (cited in Chew and Koh, 1997). Need for achievement, locus of control, propensity to take risk, tolerance for ambiguity, innovativeness and self confidence were selected for this study since they are frequently used in different studies in the entrepreneurship literature (Gurol and Atsan, 2006). Furthermore, researchers do consider these characteristics as capable of representing the entrepreneurial behavior of individuals.

McClelland's (1961) theory that the need for achievement is a strong psychological characteristic as a factor influencing entrepreneurial behavior has the longest history (Shaver and Scott, 1991). Existing literature shows that individuals with high need for achievement have a strong desire to be successful and are more likely to behave entrepreneurially. 20 out of 23 major studies found a fairly consistent relationship between need for achievement and entrepreneurship (Johnson, 1990). Therefore, the following hypothesis is formulated:

*H1: Need for achievement is positively associated with entrepreneurial inclination.*

Locus of control refers to an individual's perception about the reward and punishments in life. It can be referred as the perceived control over the events of one's life (Rotter, 1966). Rotter theorized that individuals with an internal locus of control would more likely strive for achievement compared with those with an external locus of control. Generally, it is believed that entrepreneurs prefer to take and hold unmistakable command instead of leaving things to external factors (Mitton, 1989, Koh 1995, Hansmark 1998). It is believed that entrepreneurs have an internal locus of

control. In line with this, the following hypothesis is formulated:

*H2: Locus of control is positively associated with entrepreneurial inclination.*

Risk taking propensity is defined as a person's orientation towards taking chances in uncertain decision making contexts. Mill (1984) indicated that risk bearing is a main factor in differentiating entrepreneurs from managers (cited in Chew and Koh, 1997). Much of economics and entrepreneurship literature includes risk-taking as a major entrepreneurial characteristic (Yusof, Sandhu and Jain, 2007). Risk taking inclination is therefore expected to have positive influence on entrepreneurial orientation. According to this the following hypothesis is elicited:

*H3: Propensity to take risk is positively associated with entrepreneurial inclination.*

Tolerance for ambiguity is the ability to respond positively to uncertain situations. Individuals with low level for ambiguity feel more uncomfortable in uncertain and unstructured situations. Thus, they tend to avoid such unstructured situations. Individuals with high tolerance for ambiguity find ambiguous situations challenging and struggle to overcome them in order to perform well (Chew and Koh, 1997). It is believed that tolerance for ambiguity is an entrepreneurial characteristic and those who are entrepreneurially inclined are expected to display more tolerance for ambiguity than others (Yusof, Sandhu and Jain, 2007). Therefore, the following hypothesis is formulated:

*H4: Tolerance for ambiguity is positively associated with entrepreneurial inclination.*

Innovativeness relates to perceiving and acting upon business activities in new and unique ways. As suggested by Schumpeter (1934) and Mitton (1989) innovativeness is

the focal point of entrepreneurship and an essential entrepreneurial characteristic. Empirical studies show that entrepreneurs are significantly more innovative than non-entrepreneurs (cited in Yusof, Sandhu and Jain, 2007). In line with this, the following hypothesis is elicited:

*H5: Innovativeness is positively associated with entrepreneurial inclination.*

Chew and Koh (1997) have suggested that self-confidence is a necessary entrepreneurial characteristic and that it is related to other psychological characteristics. Empirical studies in the entrepreneurship literature have found entrepreneurs to have a higher degree of self-confidence relative to non-entrepreneurs. According to this discussion, the following hypothesis is formulated:

*H6: Self confidence is positively associated with entrepreneurial inclination.*

Another framework commonly used to study the entrepreneurs is demographic and family characteristics. This framework assumes that people with similar backgrounds have similar underlying characteristics. Therefore on the basis of demographic and family characteristics entrepreneurially inclined can be distinguished from non-entrepreneurially inclined. The most commonly cited demographic and family characteristics are gender, religion, ethnic group, age, birth order and family entrepreneurial inclination (Koh, 1995). Previous research on entrepreneurship shows that females face major barriers to entrepreneurship such as credit discrimination, lack of experience in finance, purchasing and marketing, lack of role models, difficulty in recruiting male employees and tension between personal life and career pursuits. For these reasons males are more likely to behave as entrepreneurs (Koh, 1995). The religion and ethnic group are another two important demographic variables since they shape an individual's psychological characteristics (Koh, 1995). A family entrepreneurial inclination play an

important role among the factors seems particularly influences the birth of an entrepreneurial spirit (Orhan, 2000). His study about French entrepreneurs showed that 66 per cent had at one close relative who was self employed or entrepreneur. In line with this the following hypothesis with respect to entrepreneurial inclination and demographic and family characteristics are formulated:

H7: Gender influences on an individual's intention to become an entrepreneur.

H8: Religion influences on an individual's intention to become an entrepreneur.

H9: Ethnic group influences on an individual's intention to become an entrepreneur.

H10: Family entrepreneurial inclination influences on an individual's intention to become an entrepreneur.

### **Research Model**

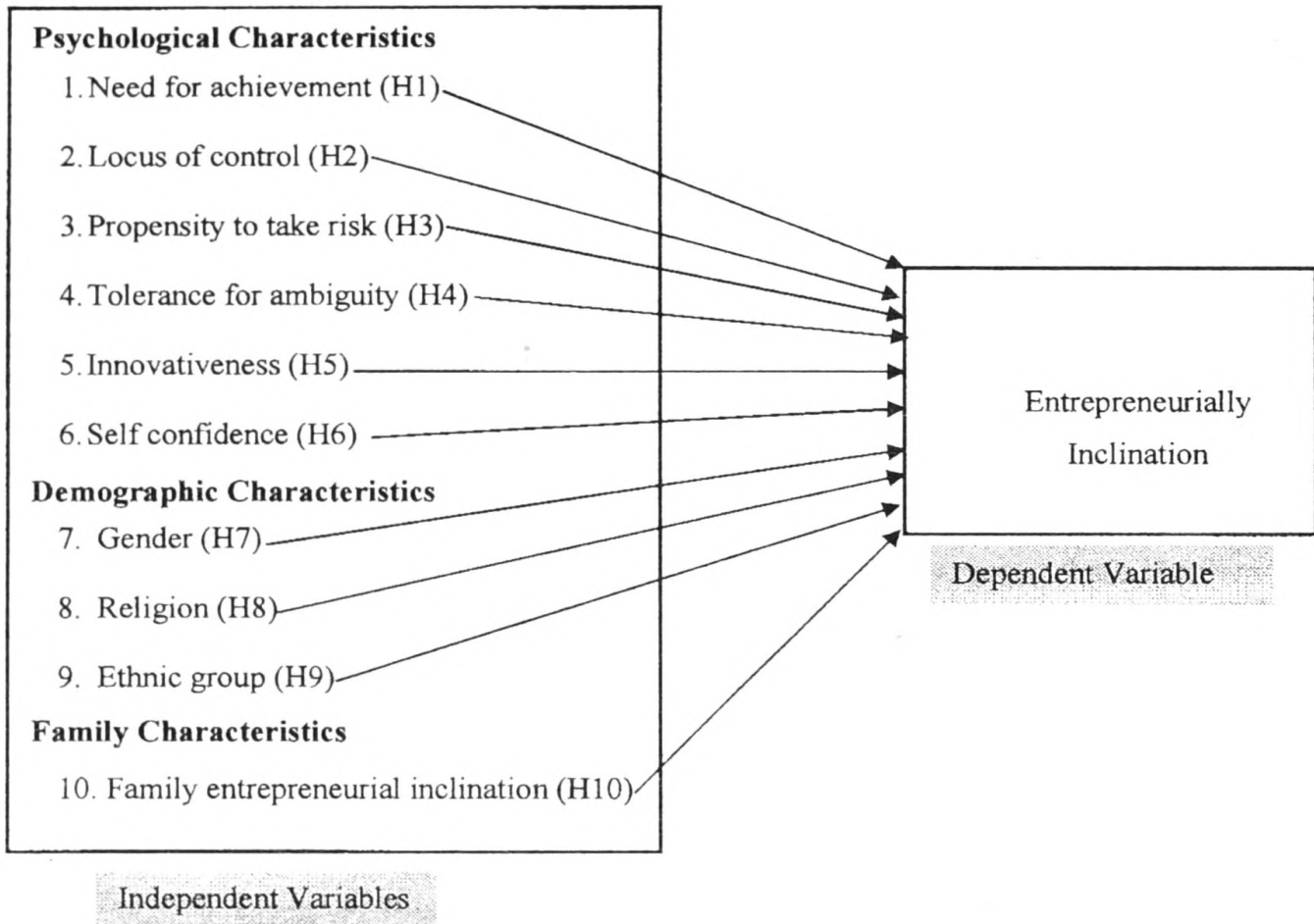
The research model of this study is shown in Figure 1. The dependent variable is entrepreneurial inclination and the independent variables are psychological, demographic and family characteristics.

### **METHODOLOGY**

The objective of this study is to investigate the relationship between entrepreneurial inclination and certain psychological, demographic and family characteristics. From the perspective of the objectives of this research, it can be classified as a co relational research study. Further this study is an explanatory and a cross sectional study.

### **Sample**

Management undergraduates in Sri Lankan universities during the study period comprise the study population. Business undergraduates were selected to maintain the same educational level and they are more exposure business related courses. Out of fifteen government universities (University Statistics, 2009), University of Kelaniya, University of Sri



**Figure 1 Research Model**

Jayawardenapura, Wayamba University of Sri Lanka and University of Ruhuna were selected for this study. The sample comprise 300 final year undergraduates since they are about to choose their future career.

**Data Collection**

Survey based methodology is used to obtain the data from the respondents. The research instrument used is a self administered, fixed-alternative questionnaire which is structured into two parts. The first part comprised questions eliciting the demographic and family characteristics. The second part comprised of 46 statements; 6 statements designed to gather information from the respondents regarding their inclination toward entrepreneurship and 40 statements eliciting view on the factors influencing entrepreneurial inclination. The 46 statements in the second part were adapted from the Entrepreneurial Self-Assessment Scale. A five point Likert scale was used in

the second part where the respondents were required to state the extent to which they agreed or disagreed with the statements in the questionnaire. For each characteristic higher score indicates a higher level of that characteristic.

**Statistical Methods**

Factor analysis is used to investigate the variability among observed variables in terms of a potentially lower number of unobserved variables. Kaiser-Meyer-Olkin (KMO) statistic is used to measure of homogeneity among variables in this study. To analyze the data descriptive statistics (mean standard deviation and frequency distribution) are computed for each of the characteristics to develop a profile of the sample. Further t-tests of significant differences and Chi-square tests of independence are performed to investigate if entrepreneurially inclined students are significantly differed from non-

entrepreneurially students on each of the psychological, demographic and family characteristics. Regression analysis is performed to test the association between entrepreneurial inclination and psychological characteristics at a multivariate level that considers all the independent variables relates to psychological characteristics.

### SIGNIFICANCE OF THE STUDY

Due to the versatile nature of the entrepreneurial profile, the topic on entrepreneurs/entrepreneurship will never get staled. Most of the existing researches on entrepreneurship in Sri Lanka tend to focus more on the field of entrepreneurship in general such as the success factors of actual entrepreneurs. The empirical researches on undergraduates' inclination towards entrepreneurship is also limited and focuses more on factors influencing entrepreneurship inclination rather than examining other personal factors. Therefore, this study is really significant.

Further, entrepreneurship education and training programs should be tailored to the target student group. Basically there are two types of students groups. The first group consist of undergraduates those who are intended to start their own business after graduation. The second group consists of those who are liked to work in an organization. Their education should help them to increase their employability. Even for the entrepreneurially inclined students, the education and training programs should be adapted according to their personal characteristics. Therefore, exploring the entrepreneurial profile of undergraduates comes first and paramount important.

### LIMITATIONS

In Sri Lanka, there are 15 government universities. For this research, the sample is composed of undergraduates of four of them. Further, the research is targeted at the final year undergraduates of Management

faculties. Therefore the research has the following limitations.

- Unable to study all Sri Lankan government universities
- Unable to compare the entrepreneurial inclination between the undergraduates of the government universities and the private universities
- Unable to study all the faculties
- Unable to compare the entrepreneurial inclination between business undergraduates with non business undergraduates
- Unable to study all the levels of undergraduates

Basically there are two types of motivational factors to entrepreneurship: push factors and pull factors. This study is concentrated on analyzing the push factors to entrepreneurship only. Many of the push factors can be excluded from this study since they are related to the previous job and many undergraduates are assumed to be first time job seekers. However, losing the family income is an important push factor which has not been included in this study.

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