

**THE MEDIATING ROLE OF SELF-EFFICACY IN THE
DEVELOPMENT OF ENTREPRENEURIAL INTENTION
AMONGST THE ART AND SCIENCE STUDENTS IN
UNIVERSITI MALAYSIA SABAH (UMS)**

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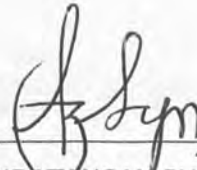
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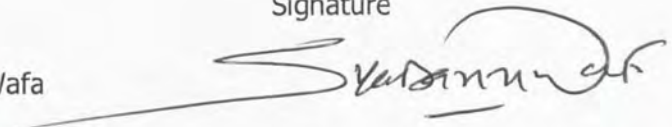
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ABSTRACT

THE MEDIATING ROLE OF SELF-EFFICACY IN THE DEVELOPMENT OF ENTREPRENEURIAL INTENTION AMONGST THE ART AND SCIENCE STUDENTS OF UNIVERSITI MALAYSIA SABAH (UMS)

This study examined the mediating role of self-efficacy in the development of entrepreneurial intention amongst the art and science students in Universiti Malaysia Sabah. Intention proved to be the best predictor of planned behavior, particularly when that behavior is rare, hard to observe, or involves unpredictable time lags; entrepreneurship is a typical example of such planned, intentional behavior (Bird, 1988; Katz and Gartner, 1988). This study has received 233 returned questionnaire. Major analysis that performed in this study including factor analysis and regression as well as correlation analysis to test the hypothesis and as expected self-efficacy is a best predictor for intention. The findings of this research indicate that mastery experience and verbal persuasion are the best antecedents for entrepreneurial self-efficacy. In this study also, the entrepreneurial self-efficacy proven to have significant effect on entrepreneurial intention.

ABSTRAK

Objektif tesis ini adalah untuk memeriksa peranan 'self-efficacy' dalam mediasi untuk membangunkan niat keusahawanan diantara pelajar-pelajar Universiti Malaysia Sabah (UMS) dari aliran sastera dan juga sains. Niat telah dibuktikan adalah perkiraan terbaik untuk kelakuan yang dirancang, terutamanya apabila kelakuan itu sangat jarang dan susah untuk diperhatikan ataupun mengambil tempoh masa yang panjang. Keusahawanan adalah contoh yang biasa untuk kelakuan yang dirancang. Kajian ini telah menerima kembali 233 kertas soal selidik. Analisa utama yang telah digunakan untuk menguji hipotesis adalah 'factor analysis', 'regression analysis' dan 'correlation analysis'. Seperti yang dijangka, 'self-efficacy' merupakan 'predictor' yang terbaik untuk niat.

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CHAPTER 1

INTRODUCTION

1.1 Entrepreneurship Development in Malaysia

The growth of entrepreneurship has been growing in importance in Malaysia as both in concept and activity. The perceived significance of entrepreneurship to the growth of Malaysia's economy is evidence by the sheer amount and variety of supporting mechanism and policies that exist for entrepreneurs (Mohamed Ariff, 2003).

To keep up with an increasingly competitive globalised economy, Malaysia has made concerted efforts to move away from a production-based economy to a knowledge-based economy (Institute of Strategic and International Studies, 2002) and greater emphasis is being placed on technology based industry such as information technology, biotechnology, automotive, and the electrical and electronics industries (Syahida, 2008).

In March 2010, Prime Minister Najib's presented the New Economic Model reform program includes changes to modify these ethnic preferences and to divest state enterprises while increasing the private sector's role in stimulating higher levels of investment and boosting GDP growth. The NEM aims to create a business environment more conducive to long-term sustained economic growth, development, and investment, with the goal of Malaysia becoming a high-income, developed nation by 2020.



Efforts therefore have been taken seriously by the Malaysian government to nurture on entrepreneurship development at all levels especially in higher education level by introducing courses related to entrepreneurship or majors in entrepreneurship and become incubators in producing innovative entrepreneurs with the necessary skills and knowledge to contribute to the New Economic Model.

1.2 Problem Statement

Malaysia's relatively high entrepreneurialism is reflected in its entrepreneurship and innovation rank by the Legatum Prosperity Index 2010: 34th out of 110 economies. Malaysia's performance is boosted by a flourishing high-tech industry. High-tech exports constitute over half of total exports. Moreover, high levels of royalty receipts indicate that Malaysia is able to capitalize on its innovations, according to the Legatum study, (2010).

Malaysia has an encouraging setting for innovative activity, as revenues from intellectual property currently bring in 199 million USD per year, the 29th highest rate in the world. Although only 1% of GDP is spent on R&D, Malaysia maintains a very high level of ICT exports, placing it fifth on this variable both globally and regionally (The Legatum Study, 2010).

Nonetheless, comparing Malaysia with other Asia countries, the top ranking is dominated by Australia and New Zealand, followed by Singapore, Japan, and other "Asian tigers," such as Hong Kong, Taiwan, and Korea. This statistics is an eye opener that Malaysia's entrepreneurial impact has yet to be maximized.

There is a strong intent by the government to create entrepreneurs not only by removing the traditional barriers to boost the entrepreneurial activity but

also providing incentives for entrepreneurs to be competitive in the domestic and global market as well as encouragement to universities or education providers in developing young entrepreneurs, hoping that these people will be able to contribute to the economic growth in future.

Despite these efforts, the government's plan to promote self-employment amongst Malaysians fell short of its intended results. In fact, the self-employment rate in Malaysia fell from 24% (1.8 million headcounts) in 1989 to 18% (1.6 million headcounts) in 1997, implying that self-employed population in Malaysia had in fact decreased by 200,000 heads (Milanovic, 2001). Since self-employment (or one's decision to become an entrepreneur) is a critical avenue in creating wealth for the nation's development, understanding its predictor is considered important.

According to Abdullah (1999), in a developing country like Malaysia, entrepreneurial activities via venture creation are seen as a mechanism to improve the distribution of income, to stimulate economic growth, and to reshape an economic structure which has been highly dependent on the activities of large firms. In essence, entrepreneurship is crucial to the health of Malaysia's economy.

In the psychology literature, intention proved to be the best predictor of planned behavior, particularly when that behavior is rare, hard to observe, or involves unpredictable time lags; entrepreneurship is a typical example of such planned, intentional behavior (Bird, 1988; Katz and Gartner, 1988)

Universities therefore need to identify individual students with this specific attitudinal characteristics suggesting entrepreneurial intent during their studies so that educators will be able to nurture, encourage and support these students to turn the entrepreneurial intent into possible ventures creation regardless of technical or non-technical field.

Hence, identification of students with entrepreneurial intent is crucial and by understanding the factors that contribute to the development of such intent may help universities in designing future entrepreneurial courses or activities that may influence students' entrepreneurial intention and thus this research examines the relationship between factors that influence individuals' entrepreneurial self-efficacy in developing entrepreneurial intention amongst the art and science students in Universiti Malaysia Sabah (UMS).

1.3 Research Questions

This study raises the following questions:

- I. What is the relationship between entrepreneurial self-efficacy in the development of entrepreneurial intention?
- II. What are the relationship between mastery experience, vicarious experience, verbal persuasions and perceived physiological states that influence entrepreneurial self-efficacy?
- III. Does entrepreneurial self-efficacy mediates the relationship between mastery experience, vicarious experience, verbal persuasions, perceived physiological states and entrepreneurial intention?

1.4 Research Objectives

The earlier discussion has addressed the significance of the entrepreneurship contribution to the economic growth of the nation with emphasis challenge in identifying students with entrepreneurial intention during their studies in University Malaysia Sabah. Thus objectives of this study are to determine:

- I. The relationship between entrepreneurial self-efficacy and entrepreneurial intention.

- II. The relationship between mastery experience and entrepreneurial self-efficacy
- III. The relationship between vicarious experience and entrepreneurial self-efficacy
- IV. The relationship between verbal persuasion and entrepreneurial self-efficacy
- V. The relationship between perceived physiological states and entrepreneurial self-efficacy.
- VI. The mediating role of entrepreneurial self-efficacy on the relationship between mastery experience, vicarious experience, verbal persuasion, perceived physiological states and entrepreneurial intention.

1.5 Scope of study

As stated in the background of the study that research on students' entrepreneurial intentions are important, thus this study is intended to provide insights about the mediating role of entrepreneurial self-efficacy in the development of entrepreneurial intention and to determine the relationships between the antecedents of entrepreneurial self-efficacy (mastery experience, vicarious experience, verbal persuasions and perceived physiological states) and entrepreneurial intention.

The study will be carried out in University Malaysia Sabah, the ninth public university in Malaysia located in Kota Kinabalu, Sabah established since 1994 and the subjects will be undergraduate students from the art and science schools. Structured questionnaires will be provided to collect information from respondents and estimated to complete the data collection within three weeks.

1.6 Significance of the study

The result of this study made important implications for the public institutions of higher education such as Universiti Malaysia Sabah (UMS). Entrepreneurial intention is said to be a reliable predictor of entrepreneurial behavior and entrepreneurial activity (Krueger *et al.*, 2000) therefore, this study is significant to assist the scholars and educators in public institutions of higher education to develop entrepreneurial courses and programmes that can influence students' entrepreneurial self-efficacy and leads to entrepreneurial intention.

The study also hoped to provides a theoretical explanation, grounded in social cognitive theory (Bandura, 1986), for the influence of a number of individual-level antecedents on the intention to become entrepreneur. The social cognitive theory was used to select the antecedent variables used in this study and may guide future research toward a consistent set of finding in this area.

This study hopes to contribute to the global literature of the mediating role of entrepreneurial self-efficacy in the development of the entrepreneurial intention which previously carried out by Zhao *et al.* (2005).

1.7 Definition of terms

1.7.1 Entrepreneurial Intention

Entrepreneurial intentions can be defined as a conscious awareness and conviction by an individual that they intend to set up a new business venture and plans to do in the future (Bird, 1988; Thompson, 2009)

1.7.2 Entrepreneurial Self-Efficacy

Chen, Green and Crick (1998) define entrepreneurial self-efficacy as the extent to which one believes that he or she can successfully perform entrepreneurial tasks and roles.

1.7.3 Mastery Experience

"The most effective way of developing a strong sense of efficacy is through mastery experiences," Bandura explained (1994). Performing a task successfully strengthens our sense of self-efficacy. However, failing to adequately deal with a task or challenge can undermine and weaken self-efficacy.

1.7.4 Vicarious Experience

According to Bandura, "Seeing people similar to oneself succeed by sustained effort raises observers' beliefs that they too possess the capabilities master comparable activities to succeed" Bandura (1994).

1.7.5 Verbal Persuasions

Bandura also asserted that people could be persuaded to belief that they have the skills and capabilities to succeed. Consider a time when someone said something positive and encouraging that helped you achieve a goal. Getting verbal encouragement from others helps people overcome self-doubt and instead focus on giving their best effort to the task at hand.

1.7.6 Perceived Physiological States

Our own responses and emotional reactions to situations also play an important role in self-efficacy. Moods, emotional states, physical reactions, and stress levels

can all impact how a person feels about their personal abilities in a particular situation. A person who becomes extremely nervous before speaking in public may develop a weak sense of self-efficacy in these situations. However, Bandura also notes "it is not the sheer intensity of emotional and physical reactions that is important but rather how they are perceived and interpreted" (1994).

1.8 Summary and Organization of remaining Chapters

This report is organized into five chapters, which are the introduction, literature review, research methodology, research findings and the discussion and conclusion chapter.

Chapter one, introduction, provides an overview of the entrepreneurship development in Malaysia, followed by the problem statements, research objectives, scope of the study, significance of study, definitions of variables in this study and organization of study. Chapter two, literature review, reviews studies on the theory involved as well as other previous research conducted by others and their findings.

Chapter three, research methodology, discusses the research framework, hypothesis, methods and questionnaires used to conduct the survey for the research. Chapter four will detailed the findings and analyzing for the research based on SPSS output. Chapter five, discussed on the validation of the rejected and accepted hypothesis, the implications of the findings, limitation of the study and recommendation for improvement for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature conducted on the relationships among the antecedents of entrepreneurial self-efficacy and entrepreneurial intention. The aim of this chapter is to evaluate the literature and theory used in this study. The chapter also justifies the choice of independent variables such as mastery experience, vicarious experience, verbal persuasions and perceived physiological states.

2.2 Theory of Planned Behavior

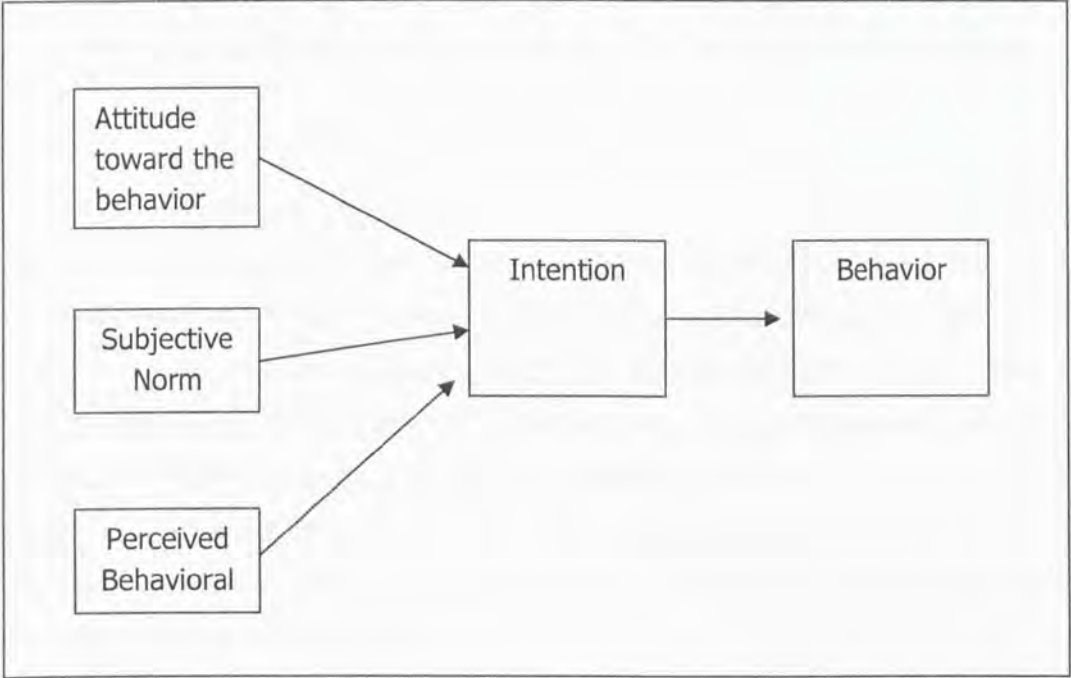
Based on the theory of planned behavior (Ajzen, 1987, 1991), a person's plan and intention to behave in a certain way can be predicted. There are three kinds of beliefs that lead to intention and behave in certain manner. The three kinds of prominent beliefs are (1) Behavioral beliefs, which are assumed to influence attitudes towards the behavior; (2) Normative beliefs, which constitute the underlying determinants of subjective norms; and lastly (3) Control beliefs which provide the basis for perceptions of behavioral control.

The purpose of each of these beliefs in the development of a particular intention to act expected to vary for any individual's behavior across situations. However, the theory emphasized that the stronger the beliefs the individual has regarding the personal and social desirability of doing something, and their belief that they have the necessary skills and abilities (control) to do what is necessary, the greater the likelihood they will behave a particular way.



Understanding the intentions towards any purposeful behavior is essential to our understanding of the antecedents and consequences of that behavior, as well as to that behavior's correlates (Janzen and Fishbone, 1980)

Diagram 1.1: Ajzen's Theory of Planned Behavior (1991)



In case of entrepreneurship, the construct of the theory planned behavior are defined as below: 'Attitude towards self-employment' is the difference between perceptions of personal desirability in becoming self-employed and organizationally employed. Therefore, 'high' attitudes towards self-employment actually indicates that the respondent is more in favor of self-employment than organizational employment (Kolvereid, 1996)

'Subjective norm' refers to perceptions of what important people in respondents' lives think about them becoming self-employed, weighted by the strength of the motivation to comply with them (Krueger et al., 2000). Finally, the 'perceived behavioral control' reflects the perceived ability to become self-employed (Kolvereid, 1996).

2.3 Entrepreneurship and Entrepreneurial Intention

A variety of definitions of entrepreneurship can be found in the literature. (Coulter, 2001) defined entrepreneurship as the process whereby an individual or group of individuals use organized efforts and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled. In this regard, entrepreneurship is a dynamic process of vision, change and creation (Kuratko and Hodgetts, 2004).

The definitions of entrepreneurship vary from those that emphasize wide criteria such as creation of new business enterprise to those that emphasize more unambiguous criteria for instance managing risk and application of innovation. Shane and Venkataraman (2000) suggest entrepreneurship defined as a field of business, seeks to understand how opportunities to create something new arise and are discovered or created by specific individuals, who then use various means to exploit or develop them, thus producing a wide arrange of effects. In the traits approach, the entrepreneur is assumed to be a particular personality type, have particular motives and incentives.

There has been growing interest in undertaking and intensifying actions to promote and support idea of entrepreneurship as an attractive alternative to wage employment in Malaysia and improve the standard of living of the society. Knowing the importance of entrepreneurship to the development of the country and society, researchers have done many studies in the entrepreneurial intent. According to Bird (1988), intentionality can be defined as a state of mind directing a person's attention, experience and action towards a specific goal or path to achieve something. Therefore, entrepreneurial action can also be classified as an intentional behavior.

Entrepreneurial intent has proven to be a primary predictor for future entrepreneurial behavior (Krueger *et al.*, 2000). Therefore, investigating what factors determine the entrepreneurial intent is a crucial issue in entrepreneurship research (Schwarz *et al.*, 2009). According to the theory of planned behavior, Janzen, (1991), individual's attitudes have an impact on behavior via intention. In particular, there are three fundamental attitudinal antecedents of intent: personal attitude toward outcomes of the behavior, perceived social norm, and perceived behavioral control (self-efficacy).

Janzen (1991) suggests the relative importance of the three antecedents of intent – attitude towards behavior, social norms, and perceived behavioral control – are expected to vary across behaviors and situations. This would result in some situations where only attitudes towards the behavior might impact intentions, while in others social norms or perceived behavioral control would be the only major impact. It is therefore, important for researchers to examine specific target behaviors, such as starting of a new business, and to avoid making global generalizations across situations and behaviors, as significant differences may well exist between individuals, groups, and national cultures.

2.4 Entrepreneurial Self-efficacy

The concept of self-efficacy is derived from social learning theory and refers to a judgment of one's capability to accomplish a certain level of performance or achieve a desired outcome. Chen, Green and Crick (1998) define entrepreneurial self-efficacy as the extent to which one believes that he or she can successfully perform entrepreneurial tasks and roles. According to Markman, *et al.*, (2002), it is the perceptions of self-efficacy, rather than objective ability that motivate individuals to demonstrate entrepreneurial behavior. Unlike other personality traits of entrepreneurship which are relatively static, self-efficacy is affected by contextual factors such as education and past experiences (Hollenbeck & Hall, 2004).

According to the social cognitive theory by Albert Bandura, self-efficacy represents a central mechanism of personal agency. It is thought to influence not only one's level of effort and persistence on a specific task but one's very choice of activities and behavioral settings. High self-efficacy expectations lead individuals to approach that setting, whereas low self-efficacy expectations lead individuals to avoid that setting (Wood & Bandura, 1989). Chen et al. (1998) found support for a positive relationship between entrepreneurial self-efficacy and entrepreneurial intentions.

Self efficacy is a motivational construct that has been shown to influence an individual's choice of activities, goal levels, persistence, and performance in a range of context. According to Bandura, (1986), an individual's sense of self efficacy can be influenced by four sources: enactive mastery, vicarious experience, verbal persuasion and physiological states.

2.4.1 Mastery experience

Bandura's (1986) emphasis that one's mastery experiences are the most influential source of self efficacy information has important implications for self enhancement model. This is usually accomplished through programs that emphasize enhancing self-beliefs through verbal persuasion methods. Mastery experiences are promoted through simulated business exercises and best business case study (Stumpf, Dunbar, & Mullen, 1991). Therefore, we expect that student's entrepreneurial self-efficacy will increased or developed when they are being exposed with such entrepreneurial or business experiences and knowledge during their courses or it can be from entrepreneurial activities held during their studies.

According to the study by Zhao et al., (2005), previous experience is seen as a form of enactive mastery. The study found that previous entrepreneurial work

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