FACTORS INFLUENCING ENTREPRENEURIAL INTENTIONS AMONG SABAH IPTA STUDENTS

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DECLARATION

I hereby declare that the materials in this thesis are my own except for quotations, excerpts, summaries and references which have been duly acknowledged.

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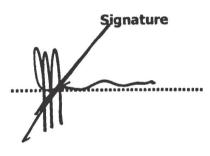
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ABSTRACT

FACTORS INFLUENCING ENTREPRENEURIAL INTENTIONS AMONG SABAH IPTA STUDENTS.

This study is done to identify the relationship of personal traits which include attitude toward behavior, social norm and perceived behavioral control as well as entrepreneurial knowledge with entrepreneurial intentions. In Malaysia, government has been encouraging young adults to venture into businesses or innovation activities rather than depending on employment opportunity. This research done in line with government encouragement from the tenth Malaysian Plan as "The shift to high income will need growth that is based on productivity and led by innovation. Sabah is the second largest state in the country after Sarawak and has many potential sources to be explored, but seem to have largest number of people below the poverty line in Malaysia, and lower than the Indonesian national poverty rate and in the same level as Aceh and Myanmar based on 2004 United Nations figures¹. As long as we can identify and test the factors of theory of planned behavior (TPB) and entrepreneurial knowledge could influencing them towards entrepreneurship intentions as their personal career choice we can help them to better develop Sabah. The samples in this study are students from three Sabah's' public higher learning Institutes (IPTA) which are University Teknologi MARA Sabah (UiTM), University Malaysia Sabah (UMS) and Politeknik Kota Kinabalu branch.



¹ Source: "Handbook on Poverty Statistics Concepts, Methods and Policy Use", December 2005.

ABSTRAK

Kajian ini dijalankan untuk mengenalpasti hubungan antara sifat-sifat keperibadian termasuk keperibadian terhadap keusahawanan, nilai-nilai norma kemasyarakatan, pengetahuan kawalan tingkahlaku dan pengaruh pengetahuan tentana keusahawanan dengan niat keusahawanan. Di Malaysia, kerajaan menggalakkan anak-anak muda untuk menceburi bidang perniagaan atau aktiviti-aktiviti yang berkaitan inovasi daripada bergantung kepada peluang pekerjaan semata-mata. Kajian ini telah di jalankan sejajar dengan seruan kerajaan melalui Rancangan Malaysia yang ke-sepuluh. Kerajaan perpendapat bahawa, "untuk menaikkan atau menambahkan sumber hasil atau ekonomi kita memerlukan pembangunan berdasarkan produktiviti dan melalui inovasi. Sabah adalah negeri yang kedua terbesar di Malaysia selepas Sarawak dan kaya dengan sumber-sumber yang berpotensi untuk diusahakan, tetapi mempunyai bilangan rakyat yang teramai berada di bawah garisan kemiskinan di Malaysia, yang mana lebih rendah daripada kadar kemiskinan Indonesia, menyamai Aceh dan Myanmar menurut sumber Persatuan Kebangsaan (United Nations figures). Selagi kita dapat mengenal pasti dan mengkaii faktor-faktor seperti sifat-sifat keperibadian (TPB-Theory of Planned Behaviour) dan pengaruh pengetahuan keusahawanan dapat mempengaruhi pelajar-pelajar terhadap niat keusahawanan sebagai pilihan dalam memilih karier, kita dapat membantu mereka untuk lebih membangunkan Sabah. Sampel adalah terdiri daripada pelajarpelajar daripada tiga institusi pengajian tinggi awam (IPTA) di Sabah, iaitu, Universiti Teknologi MARA Sabah (UiTM-Sabah), Universiti Malaysia Sabah (UMS) dan Politeknik cawangan Kota Kinabalu Sabah.



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LIST OF ABBREVIATIONS

ΙΡΤΑ	Institusi Pengajian Tinggi Awam (Public Institutions of Higher
	Learning)
UMS	Universiti Malaysia Sabah
UiTM	Universiti Teknologi MARA
ТРВ	Theory of Planned Behaviour
EI	Entreprenurial Intentions
PBC	Perceived Behavioral Control
EK	Entrepreneurial Knowledge

LIST OF SYMBOL

ß

Beta



CHAPTER 1

INTRODUCTION

1.1 Introduction

As Henderson and Robertson (2000) stated "... the future working environment will depend on the creativity and individuality of the young. However, indeed relatively little is known about young adult views on entrepreneurship". In order to serve educational needs of Sabah IPTA students well, it's crucial to know what determines their intentions and choices of career.

1.2 Problem Statement

Entrepreneurship is vital in this century for countries all over the world, as for the globalization implemented creates more opportunity as the human capital and sources are expanded or increasing in terms of variety as well as quality and quantity. As in Malaysia, government has been encouraging young adults to venture into businesses or innovation activities rather than depending on employment opportunity. *Economic growth thus far has been driven by factors of production, mainly investment, energy and labour, hence, under the 10th Malaysian Plan, The shift to high income will need growth that is based on productivity and led by innovation. For that purpose, the Government will establish a special unit under the Prime Ministers Department to set the direction and drive the National Innovation System and innovation policies and strategies.¹*

The young generation is also important because they will shape the future of the nation. Being the largest segment of citizens, the Government will be accommodative to their aspirations. We will become better listeners to as well as constructive partners to youth. Their idealism, ideas and energy are needed by the

¹ Source: RMK-10 (Paragraph numbered-38th) (www.**pmo.gov.my**/dokumenattached/speech/fils/RMK10_Speech.pdf)



nation to realise a better future. ² By being working on their own or contributing to innovations through SME venture, will reduce the number of unemployed graduates and subsequently support the 10th Malaysian Plan directly and indirectly. The establishment of the Ministry of Entrepreneur Development in 1995 clearly indicates the growing importance of the government role on the issue of entrepreneur development (Ariff & Abu Bakar, 2005). In this study, resulted from towards the importance above, four factors have been identified uses to test their influence towards entrepreneurial intentions and there are attitude towards behavior, social or subjective norm, perceived behavioral control and entrepreneurial knowledge.

Sabah is the second largest state in the country after Sarawak and has many potential sources to be explored. Besides, *Sabah is having the largest number of people below the poverty line in Malaysia, and lower than the Indonesian national poverty rate and in the same level as Aceh and Myanmar based on 2004 United Nations figures*³. With Ninth Malaysian Plan, Sabah have developed but yet still need to be sustained and improved to contribute to the Nations as a whole for its source or opportunity is open to everyone especially graduates from Sabah IPTA, whose, will going to be the players in industries as well as contributor to the development of our country indirectly as a whole, **as long as we can identify and test the factors of personal traits and entrepreneurial knowledge of Sabah IPTA students whether could influencing them towards entrepreneurship intentions as their personal career choice to better help developing Sabah.**

1.3 Objectives of Study

This study is heading towards providing statistically information as the separations below are the objectives.

³ Source: "Handbook on Poverty Statistics Concepts, Methods and Policy Use", December 2005.



² Source: RMK-10 (Paragraph numbered- 98th)

⁽www.pmo.gov.my/dokumenattached/speech/files/RMK10_Speech.pdf)

- a) To identify the relationship between attitude towards entrepreneurship and entrepreneurial intentions among Sabah IPTA students.
- b) To examine the relationship between social norms and entrepreneurial intentions among Sabah IPTA students.
- c) To identify the relationship between perceived behavioral control and entrepreneurial intentions among Sabah IPTA students.
- d) To examine the entrepreneurial knowledge whether has significant relationship with the entrepreneurial intention among IPTA students.

1.4 Research Questions

- a) What are the relationship between attitude towards entrepreneurship and entrepreneurial intentions among Sabah IPTA students?
- b) What are the relationship between social norms and entrepreneurial intentions among Sabah IPTA students?
- c) What are the relationship between perceived behavioral control and entrepreneurial intentions among Sabah IPTA students?
- d) How far the entrepreneurial knowledge has significant relationship with entrepreneurial intention among IPTA students.

1.5 Significant of Study

This study is for entrepreneurs, governments and educators, knowing how entrepreneurial intentions are influences by personal traits and entrepreneur knowledge will give benefits to the institutions or nations. Significant findings of this study are as follows:-



- a) Provide the answer whether entrepreneurial knowledge has significant effect to the entrepreneurial intention among IPTA students as to answering the government encouragement or needs. This also allows government to make decision on whether to implement more Entrepreneurship programs or activities to exposed students with entrepreneurship.
- b) To provide in-depth idea about the relationship between theory of planned behavior (TPB) and entrepreneurial knowledge in affecting entrepreneurial intentions among Sabah IPTA students.

Helping country to realize which or how entrepreneurship education system can be amend to achieve more entrepreneurs among IPTA students especially in Sabah and how to encourage them to go for their interests and make it into an actions or implementations.

1.6 Scope of Study

This study focus on three Sabah's public of higher learning institutes (Institut Pengajian Tinggi Awam – IPTA) which include Politeknik Kota Kinabalu Sabah, Universiti Malaysia Sabah (UMS) and Universiti Teknologi MARA (Uitm) Sabah branch. Research is done on the three institutes students' entrepreneurial intention influencing by attitude towards behavior, subjective norm, perceived behavioral control and entrepreneur knowledge or education for the period of six months from 1st Feb 2011 to 31st July 2011. The simple random sample method is used which every student have an equal chances to be the subjects or sample unit.

1.7 Definition of Variables

Before we proceed, it's good to know the definitions of variables that involved for further clarifications and better understanding the key words that used in this study.



1.7.1 Entrepreneurship

Entrepreneurship is resulting from the French verb "entreprendre" and the German word of "unternehmen," that both means "undertake" as in English (Cunningham & Lischeron, 1991). Bygrave & Hofer (1991) defined the entrepreneurial process as concerning "all the functions, activities, and actions associated with the perceiving of opportunities and the creation of organizations to pursue them". Bygrave (1995) further classified the definition to only include new independent organizations, not including intrapreneurship. Definition by Thompson (1999) that entrepreneur is someone who able to "smell" a new opportunity and is willing and able to act on it. These indicate that entrepreneurship is by means processes of opening a business includes **perceiving opportunities and subsequently take it by opening a business**.

1.7.2 Intention

Theory of planned behavior originally from theory of reasoned action where both have the central factor of individual's intention to perform certain behavior (Ajzen, 1991). He also stated that "Intentions are assumed to capture the **motivational factors that influence a behavior**; they are indications of how hard people are willing to try, of how much of an effort they are planning to exert, in order to perform the behavior" (entrepreneurial) (Ajzen, 1991).

1.7.3 Attitude toward behavior

Attitudes are defined by cognitive psychology as the predisposition to respond in a generally **favourable or unfavourable** manner with respect to the object of the attitude (Ajzen 1987) cited in Venesaar, Kolbre, and Piliste (2006). The attitudinal approach has been utilised in many fields including in evaluating entrepreneurship education.

Other alternative are four major attitudes of people that need to be observed in the process of choosing between career alternatives and anticipate these attitudes are related with the level of intention becoming an entrepreneur.



The attitudes are towards (i) independence (ii) financial risk (iii) hard work (iv) income. 'Positive' attitudes towards these four objects should be expected to produce an intention to carry out entrepreneurial activity. However Douglas and Shepherd (1997) dispute those positive attitudes is neither appropriate nor sufficient condition for entrepreneurial intentions or behavior. Individual will intend to become an entrepreneur only when the total satisfaction of these four major attitudes is higher for the entrepreneurial opportunity than it is for the best non-entrepreneurial option (Shepherd and Douglas 1997).

1.7.4 Subjective norm

Subjective norms are defined as a person's **perceptions of the social pressures** to perform or not perform the intention of becoming entrepreneur. (Ajzen and Fishbein, 1980) cited in Bergevoet, Ondersteijin, Saatkamp, Van worekum, Huirne, (2003). The person involved in influencing the person's perception are including parents, significant others, friends or even role model or mentor (Bergevoet et al., 2003).

1.7.5 Perceived behavioral control

According to Ajzen (1991), perceived behavioural control is the perceived of ease or difficulty of performing the behavior and it is assumed to reveal past experience. He also stated that, it is a set that deals with the presence or absence of requisite resources and opportunities with the control beliefs may be based in part on past experience with the behavior or may be influence by second hand information like experiences of acquaintences and friends and other factors that increase or decrease the perceived difficulty of performing behavior (entrepreneurial intentions)

1.7.6 Entrepreneurial knowledge

Previous studies state that education influences individuals' cultural values and thus their degree of entrepreneurship (Hayton, Zahra, & Zahra, 2002; Morrison, 2000) cited in Gurel, Altinay and Daniele (2010). For example, the way in which



people are educated from an early age and the transferable skills which they build up during higher education play a significant role in establishing personality generally associated with entrepreneurial behavior (Casson, 1991; Ronstadt, 1985) Cited in Gurel, Altinay and Daniele (2010).

To be clear, the Entrepreneurial knowledge here define as the entrepreneur programs, level of education and skills perceived by students or sample unit from their major in higher institutions regardless courses the students are taken. This term also refered as entrepreneurial educations in this study and Entrepreneurship education seeks to provide students with the knowledge, skills and motivation to encourage entrepreneurial success in a variety of settings (International Journal of Entrepreneurial Venturing (IDEV) Call For Papers Special Issue on: "Enacted Entrepreneurship in Education", 2010)



CHAPTER 2

LITERATURE REVIEW

2.1 Entrepreneurial Intentions and Entrepreneurship

There are definitions to the entrepreneurship and entrepreneurial intentions derived from many researchers which are slightly dissimilar. To enhance the definition of entrepreneurship reliability in this study, it's better to define first what entrepreneurship is separately, which also as many researchers consent that there is no commonly accepted definition of entrepreneurship (Brown, 2000; Henry et al, 2005). Hamilton and Harper (1994) define an entrepreneur as a person who bears certain risks in order to take benefit of an invention cited in Cheng and Chan (2005). While another researcher, define entrepreneur as an individual who creates a new organization or founds a new venture (Gartner et al. 1994). Thompson (1999) define entrepreneur as someone who is able to "smell" a new opportunity and is willing and able to act on it. Joseph Schumpeter (1911), which is the famous one, define entrepreneur as the person who destroys the existing economic order to create and benefiting from the new structure through a few channels, such as by introducing new product and service, or by creating new forms of organization, or by exploiting new raw materials cited in Cheng and Chan (2005). Bygrave and Hofer (1991) define entrepreneur as "someone who perceives an opportunity and creates an organization to pursue it". From the definitions, an entrepreneur is a person with ability to perceived opportunity, manage to bears risks and concurrently able to act as to creates an organization.

Students from IPTA Sabah have been tested of their intention to open or own business rather than making a 'creative destruction' (or new ways of doing things as to revolutionise processes, system or services as to destroy old ways things are done) as an employee due to benefit of having creating more employment while establishing an organization encouraged by government.



The dependent variable is the variable of primary interest to the researcher or a variable that is to be predicted or explained. Entrepreneurial intention is used as dependant variable in this study which is needed before taking any steps which subsequently decide their behavior as a psychological process which has been examined by theorists and researchers where Bird (1998) indicate that entrepreneurial intentions are crucial to the process, forming the first in a sequence of actions to organizational founding. Further support this variable, intentions are the single best predictor of planned behavior (Bagozzi et al. 1989).

Generally, 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 plan to do so in the future (Bird, 1988; Thompson, 2009). Other definition of entrepreneurial intention are the conscious state of mind that express personal attention, experience, and behavior toward planned entrepreneurial behavior; Bird, 1988) this has been considered the mainly common use in many research (Krueger, Reilly, & Carsrud, 2000; Lee, Wong, Foo, & Leung, in press) cited in Obschonka et al., (2010). Entrepreneurial intention is also said to be a reliable predictor or measure of entrepreneurial behavior and entrepreneurial activity (Krueger et al., 2000). Other than that, entrepreneurial intentions are assumed to predict individual's choice to found their own firms (Ajzen, 1991). Pillis and Reardon (2007) define entrepreneurial intention as "the intention to start a new business". Understanding intentions thus proves particularly valuable where the focal phenomenon is rare, obscure, or involves unpredictable time lags-a focal phenomenon such as entrepreneurship (MacMillan and Katz 1992).

In this study, Entrepreneurial intention is something created in mindset of students as we will know from their conviction and subsequently as an encourager to pursue Entrepreneurship as their career. Student of IPTA had been asked in the questionnaire as to represent their mind and readiness or resistant to become entrepreneur.

Next points would specify the factors that make students as the next age group, next player as well as contributor to the nation, pursuing entrepreneurship as their career choice.



2.2 Theory Planned Behavior

The first is Ajzen's (1988, 1991) theory of planned behaviour (TPB), which explains intentions by means of attitudes, perceived behavioural control (PBC), and subjective norms.

- (1) Attitude toward the behavior; which refers to the degree of perception of the attractiveness whether positive or negative personal judgment about being entrepreneur. If a student believes that becoming entrepreneur with high probability will give a positive outcome she or he will have a favorable attitude towars choosing entrepreneur as a career.
- (2) Subjective norm, which refers to the **perceived social pressure** to carry out or not to carry out entrepreneurial behavior. Perceived social norms is a measure of social support of the behavior by significant others, such as family, friends, and other role models and mentors;
- (3) Perceived behavioral control, defined as the perception of the easiness or difficulty of becoming entrepreneur particularly for this study, for instance, a self-evaluation of one's own competence with regard to becoming entrepreneur. **Perceived feasibility** is a measure of behavioral control, quite similar to Bandura's (1986) self-efficacy construct.

Theory planned behavior (TPB) are supported by other researcher, explains intentions by means of attitudes, perceived behavioral control (PBC), and subjective norms (Gelderen, Brand, Praag, Bodewes, Poutsma, and Gils, 2008). TPB is a general model to explain individual behavior and appears useful for assessing entrepreneurial intentions when being adopted by entrepreneurship scholar (Krueger et al., 2000).

"TPB are the most commonly and successfully applied theories for predicting behavioral intention which also derived from the theories of reasoned action (Ajzen and Fishbein, 1980; Fishbein and Ajzen, 1975) and planned behavior (Ajzen, 1988, 1991). The theory of planned behavior (TPB) is basically an



expansion of the theory of reasoned action (TRA) that contains measures of control belief and perceived behavioral control. The theory of planned behavior (Ajzen, 1985) was developed to take into consideration the process whereby individuals decide on, and engage in, a particular course of action. Kolvereid (1996) confirmed that the Ajzen (1991) framework is a concrete model to explain or predict entrepreneurial intentions. Ajzen (1991) states that a person's intention is the immediate antecedent of behavior. Intent to perform a behavior, in turn, is a function of the three variables above", cited in Segal, Borgia and Schoenfeld (2005).

Perceived desirability or also attitude towards behavior is defined as the degree to which one finds the vision of starting a business **to be attractive** which can affect students perception and intention of entrepreneurial (Krueger, 1993)

Above all definition of social norm, as referred to Grundsten (2004), students in this study of their **social identification** become antecedent of one's intention means the degree to which a student as in this study see themselves as being more appreciated or less appreciated by people surround them would impact their intention to pursue entrepreneurial as their career (Grundsten, 2004).

2.3 Entrepreneurial Knowledge

Gorman and Hanlon (1997) suggest that entrepreneurial attributes can be positively influenced by educational programmes cited in Jaafar and Aziz (2008). Recently, policymakers worried that this promotion or programmes, in general, suppose to start early in life and that public measures should aim the education of "the next wave of entrepreneurs" by developing youths' early entrepreneurial capability for example basic business knowledge or leadership (European Commission, 2006; World Economic Forum, 2009). Ravasi (2003) indicates that typically, entrepreneurs possess a good knowledge of the market and the customers and, often, a certain degree of technical competence in his field. This is applying to the technical and student in IPTA, which they are specialized in their courses study of specific major would give an advantage to them in the future business venture.



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