Exploring Relationship between Psychological Characteristics and Entrepreneurial Inclination: A Case Study from Sri Lanka

By Navaneethakrishnan Kengatharan
University of Jaffna

Abstract - Entrepreneurship is of dominant partner in supporting economic development of any countries. In case of developing countries, entrepreneurship plays vital role in creating jobs by the way boosting the economic development. Government and non government supports for entrepreneurship education and establishment through microfinance were culminated in success. In Sri Lanka, universities are the higher educational institution running well organized entrepreneurial qualifications. Nonetheless, undergraduates’ perception towards entrepreneurship is of conundrum and intriguing. This scholarship is thus investigating the relationship between psychological characteristics and entrepreneurial inclination among undergraduates. Data for this study were collected through structured questionnaire within the cross sectional research design and the subjects were made up of 100 students where convenient sampling techniques was adopted.

Keywords: entrepreneurship, entrepreneurial inclination, psychological characteristics.

GJMBR-A Classification: JEL Code: L26

Strictly as per the compliance and regulations of:
Exploring Relationship between Psychological Characteristics and Entrepreneurial Inclination: A Case Study from Sri Lanka

Navaneethakrishnan Kengatharan

Abstract - Entrepreneurship is of dominant partner in supporting economic development of any countries. In case of developing countries, entrepreneurship plays vital role in creating jobs by the way boosting the economic development. Government and non government supports for entrepreneurship education and establishment through microfinance were culminated in success. In Sri Lanka, universities are the higher educational institution running well organized entrepreneurial qualifications. Nonetheless, undergraduates’ perception towards entrepreneurship is of conundrum and intriguing. This scholarship is thus investigating the relationship between psychological characteristics and entrepreneurial inclination among undergraduates. Data for this study were collected through structured questionnaire within the cross sectional research design and the subjects were made up of 100 students where convenient sampling techniques was adopted. Results revealed that there was a positive significant relationship between the psychological characteristics and entrepreneurial inclination. Amid the psychological characteristics, locus of control and innovativeness has the strong effects on entrepreneurial inclination. Policy recommendation of this study proffers greater insight to the academic regulators, funding agencies and the government to make strategic decision for survival and successful operations of small scale enterprises.

Keywords : entrepreneurship, entrepreneurial inclination, psychological characteristics.

I. INTRODUCTION

Entrepreneurship is becoming increasingly important throughout the world. True to economist Joseph Schumpeter’s (1934) view of entrepreneurship as “creative destruction”, much of the world from Eastern Europe to South America to Asia envisions entrepreneurial ventures as the means to build successful free market economies. As in most Asia and pacific, Sri Lanka too, has a majority portion of population living in rural areas which is estimated to be 78 percent of the country’s total population (Gamage, 2003). The small industries in the rural areas are the major source of employment and production of food and, therefore, the Sri Lankan villagers’ livelihood. So, almost all the governments that came to power since independence in 1948, seem to have been understood the great need for developing this vital sector (Gamage, 2003). It is the driving force for the achievement of economic development and job creation, contributing at the same time to personal development and effectively dealing with numerous pathogenic social phenomena (Nurwahida, 2007, Sarri, and Trihopoulou, 2005). Moreover, asserted that “in today’s world small businesses, and particularly new ones, are seen more than ever as a vehicle for entrepreneurship, contributing not just to employment social and political stability, but also to innovative and competitive power”.

Also interest and research in entrepreneurship and entrepreneurship education have been growing over the past few years (Morrison, 2000; Alstele, 2002; Klapper, 2004; Gurol and Atsan, 2006).

Realizing the importance of entrepreneurship for social and economic development of Sri Lanka entrepreneurship is a topic requiring a lot of attention from academicians and researchers. This paper is aimed to study, relationship between psychological characteristics and entrepreneurial inclination of university students to become an entrepreneur in their future.

I. To evaluate the impact of psychological characteristics on entrepreneurial inclination of students of Faculty of Management Studies and Commerce at the University of Jaffna
II. To give suggestions of the most influential psychological characteristics which will incline future entrepreneurs

II. LITERATURE REVIEW

a) The Concept Of Entrepreneurship

The importance of entrepreneurship has been widely acclaimed for the vital role it plays in shaping the economy for achieving the goal of development in an underdeveloped country. The role of the entrepreneur is of prime importance since entrepreneurship plays an important role in the economic system, which determines the nature and scope of this field. Economic systems grow and take shape under the influence policy, economic policy, and the socio political and cultural ideas of the people for the survival and success of the business. Entrepreneurship gives a fillip to new organizational forms and the economy bring about...
economic reforms which determine other factors affecting the economy (Drucker, 1985).

Many managers are trying to understand the concept of entrepreneurship, and the role of an organization can be made more “entrepreneurial”. Managerial scholars and economists have made the entrepreneur as an innovator, a leader, a creator, a discover, an equilibrator. In only a few of these theories, however, is entrepreneurship linked to asset ownership (Knight, 1921; Casson, 1982; Foss, 1993). Schumpeter (1934) sees entrepreneurship as the “ability of an individual or small group finding or seeking a business opportunity and matching it with a personal, group or organizational strengths”. Accordingly, this “commercial exploitation of opportunity” is the essence of entrepreneurship.

The entrepreneurship route to success is not just creative, but also opportunity driven (Fry, 1993). Five approaches to defining entrepreneurs and entrepreneurship have been described, (Cunningham & Lischeron, 1991). The “Great Person” approach, the “Psychological Characteristics” approach, the “Classical” approach, the “Management” approach, and the “Leadership” approach.

<table>
<thead>
<tr>
<th>Approaches to Entrepreneurship</th>
<th>Classical</th>
<th>Management</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaviours and skills measures</td>
<td>Intuition, Vigour, energy, persistence, self esteem</td>
<td>Personal values, Risk-taking, Need for achievement, Locus of control, Tolerance of ambiguity</td>
<td>Innovation, Creativity, discovery, ability to see opportunities</td>
</tr>
</tbody>
</table>


In this study by adopting the psychological characteristics school of thought that views entrepreneurs as individuals who have unique values, attitudes and needs which drive them. These characteristics are included in the study because they are the most frequently enumerated as entrepreneurial characteristics in the literature and evidences indicating association between them and entrepreneurship have been widely documented (Koh, 1996). For example, three personality constructs have emerged as “classic” characteristics associated with the entrepreneurial personality: internal locus of control, high need for achievement and a moderate risk taking propensity (Yusof, Sandu & Jain, 2007).

b) Innovativeness

Innovativeness is a vital component of an entrepreneurial orientation because it reflects the organization’s tendency to engage in and support new ideas through experimentation and creative processes that contribute to the development of new products, services, technologies, or processes (Lumpkin & Dess, 1996). Joseph A. Schumpeter’s (1936) definition of innovation included the introduction of a new good, the introduction of a new method of production, the opening of a new market, the conquest of a new source of supply of new materials, or the carrying out of a new endeavor within any industry. It is believed that innovativeness is closely related to entrepreneurship.

In this line following hypothesis is formulated

H1 : higher level of innovativeness has a positive influence on entrepreneurial inclination.

c) Risk Taking

Risk taking propensity is an important characteristic in entrepreneurs. A person’s risk taking propensity can be defined as his or her orientation towards taking chances in uncertain decision-making contexts (Koh, 1996). Entrepreneurial risk, with the potential for both gains and losses, has been defined as decision making about new ventures, products or processes under conditions of risk and uncertainty (Cornwall & Perlman, 1990). Dickson and Giglierano (1986) discussed two types of risk. “Sinking the boat” risks are the result of factors such as poorly thought-out concepts, bad timing, an already-satisfied market, inadequate marketing and distribution approaches, and inappropriate pricing (Dickson & Giglierano, 1986). “Missing the boat” risks result from being too cautious overlooking or dismissing opportunities, not pursuing a course of action, or delaying action for so long that competitors profit or the market opportunity changes (Dickson & Giglierano, 1986). According to Robbins (2003), risk taking propensity to assume or avoid risk has been shown to have an impact on how long it takes entrepreneurs to make a decision before making their choice. It is believed that entrepreneurs prefer to take moderate risks in situations where they have some degree of control or skill in realizing a profit. Situations which involve either extremes of risk or certainty are not
preferred (McClelland and Winters, 1969). It is expresses that risk taking propensity has positive influence on entrepreneurial inclination. Therefore the following hypothesis is considered

**H2 : Higher propensity to take risk has a positive influence on entrepreneurial inclination**

d) **Need For Achievement**

In McClelland’s (1961), The Achieving Society, the need for achievement trait has been empirically linked to entrepreneurial activity. The need for achievement is defined as a tendency to choose and persist at activities that hold a moderate chance of success or a maximum opportunity of personal achievement satisfaction without the undue risk of failure. Robbins (2003) defines need for achievement is drive to excel, to achieve in relation to a set of standards and to strive to succeed. In addition, Kreifner and Kinicki (2008) need for achievement is to accomplish something difficult. To master, manipulate, or organize physical objects, human beings, or ideas, to do this as rapidly and as independently as possible, to overcome obstacles and attain a high standard, to excel one’s self, to rival and surpass others, and to increase self-regard by the successful exercise of talent. According to Wood, Wallace, Zeffane, Chapman, Fromholzt and Marrison (2001) define need for achievement as the desire to do something better, solve problems or master complex tasks. McClelland’s theory of need for achievement is strongly related to the entrepreneurship behavior (Duygulu, 2008). According to this theory, individuals who have a strong need to achieve are among those who want to solve problems themselves, set targets and strive these targets thorough their own efforts, demonstrate a higher performance in challenging tasks and are innovative in the sense of looking for new and better way to improve their performance (Littunen, 2000).

Therefore based on the above literature following hypothesis is formulated

**H3 : Higher level of need for achievement has a positive influence on entrepreneurial inclination.**

e) **Tolerance For Ambiguity**

Budner (1962) defined tolerance for ambiguity as the “tendency to perceive ambiguous situations as desirable,” whereas intolerance for ambiguity was defined as “the tendency to perceive ... ambiguous situations as sources of threat”. An ambiguous situation is one in which the individual is provided with information that is too complex, inadequate, or apparently contradictory (Norton, 1975). The person with low tolerance of ambiguity experiences stress, reacts prematurely, and avoids ambiguous stimuli. On the other hand, a person with high tolerance of ambiguity perceives ambiguous situations/stimuli as desirable, challenging, and interesting and neither denies nor distorts their complexity of incongruity. Mitton (1989) confirmed that entrepreneurs eagerly undertake the unknown and uncertain circumstances. Thus the entrepreneurial inclined individuals are expected to display more tolerance of ambiguity than others. Based on this following hypothesis developed

**H4 : Higher tolerance for ambiguity has a positive influence on entrepreneurial inclination**

f) **Locus Of Control**

Rotter 1966 defined Locus of Control as an individual’s perception about the underlying main causes of events in his/her life. Or, more simply: Individual believes that his/her behavior is guided by his/her personal decisions and efforts (internal); or as unrelated to his or her actions and is guided by fate, luck, or other external circumstances (external). People with internal locus of control believe that they can control what happens in their lives. On the other hand, people with external locus of control tend to believe that most of the events in their lives result from luck, being at the right place at the right time, and the behaviors of powerful people. Research indicates that individuals with internal locus of control often have a more expressed need for achievement (Brockhaus 1982; Lao 1970). Internalizers believe they are in control and are open to new experiences to improve performance (Lussier, 2008). In addition, Kreifner and Kinicki (2008) mention that people who believe they control the events and consequences that affect their lives are said to possess an internal locus of control. Several studies have shown us that internal locus of control has a significant relationship with entrepreneurial intention (Rotter, 1966; Johnson, 1990). According to Low and MacMillan (1988), the individual and the person's psychological attributes are important for the entrepreneurial event.

In line with this following hypothesis is developed

**H5 : Higher locus of control has positive influence on entrepreneurial inclination.**

g) **Entrepreneurial Inclination**

A firm entrepreneurial orientation refers to the entrepreneurial activities, how the entrepreneur undertakes the methods, practices, and decision-making styles to act entrepreneurially. It is similar to what managers in big organization used to act managerially according to Mintzberg (1973). Specifically, entrepreneurial orientation refers to the entrepreneur’s disposition to autonomy, encourages experimentation (innovativeness), takes risk, takes initiatives (proactiveness), and aggressively competes within its market. Schafer (1990) advanced Schumpeter’s (1934, 1942) definition and they defined innovativeness as the firm’s propensity to engage in new idea generation, experimentation, and research and
development activities. This includes the development and enhancement of products and services and new administrative techniques and technologies for performing organizational functions.

III. Research Methodology

a) Sampling Framework

Respondents were 100 undergraduate students from faculty of Management Studies and Commerce, at the University of Jaffna. In the Faculty of Management Studies comprise two departments named as Dept.of Management Studies and Dept.of Commerce. Including the departments, first year, second year, third year and final year students were considered to collect the data. A simple random sampling method was used to collect the data. Altogether there were 506 students are in the Faculty of Management Studies and Commerce in August 2010. From them 100 students were randomly selected to the survey.

b) Instrument and Measurement

Data for this study were collected through the questionnaire survey. The questionnaire was developed based on the research framework which was developed earlier. Questionnaire was divided into two parts. Part one of the questionnaire was eliciting demographic and personal characteristics. Part two of the questionnaire comprised 36 statements. There were six sets with six statements. Those six sets expressed innovativeness, risk taking, need for achievements, tolerance for ambiguity, locus of control and entrepreneurial inclination respectively. Items were scored on a 5 point Likert scale ranging from strongly disagree (1) to strongly agree (5). Part two of the questionnaire was extracted from the Yusof, Sandu and Jain (2007) and modified by the researcher.

c) Pilot Test

At the first stage, permission was taken from Dean, Faculty of Management studies and Commerce to collect the data. Initially, to establish reliability and validity of the questionnaire, fifteen questionnaires were distributed with a view to pilot testing. The Cronbach’s alpha was used as part of the analysis because it has been a common method for assessing the measure of reliability of entrepreneurship in organizations (Knight, 1997). The reliability coefficient of psychological characteristics of University students and entrepreneurial inclination are listed in table 1. They were relatively high above 0.6 which is indicated the accepted level of reliability (Gliner & Morgan, 2000). Therefore, questionnaire was taken as an acceptable instrument to be administered.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovativeness</td>
<td>0.699</td>
</tr>
<tr>
<td>Risk Taking</td>
<td>0.656</td>
</tr>
<tr>
<td>Need for Achievement</td>
<td>0.805</td>
</tr>
<tr>
<td>Tolerance for Ambiguity</td>
<td>0.648</td>
</tr>
<tr>
<td>Locus of Control</td>
<td>0.830</td>
</tr>
<tr>
<td>Entrepreneurial Inclination</td>
<td>0.744</td>
</tr>
</tbody>
</table>

Source: Survey data

d) Data Analysis

Data were analyzed using descriptive and inferential statistics. Also, regression analysis was carried out to examine the relationship between psychological characteristics and entrepreneurial inclination with the aid of Statistical Packages for Social Sciences (SPSS).

IV. Results and Discussion

Based on the demographic characteristics provided in table 2, it was found that the majority of the respondents are female (51%) and are between 21-25 years of age (97%). With regard to the students’ family background in business 35% of respondents having the business background while 65% of respondents do not have the business background. Even 35% of respondents having the business background only 24% of respondents have prior business experience. 76% of respondents do not have the prior experience in business.

<table>
<thead>
<tr>
<th>Demographic characteristics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>49</td>
<td>49%</td>
</tr>
<tr>
<td>Female</td>
<td>51</td>
<td>51%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21-25</td>
<td>97</td>
<td>97%</td>
</tr>
<tr>
<td>26-30</td>
<td>3</td>
<td>3%</td>
</tr>
<tr>
<td>&gt;30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family background in business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>35</td>
<td>35%</td>
</tr>
<tr>
<td>No</td>
<td>65</td>
<td>65%</td>
</tr>
<tr>
<td>Prior business experience</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>24</td>
<td>24%</td>
</tr>
<tr>
<td>No</td>
<td>76</td>
<td>76%</td>
</tr>
</tbody>
</table>

Source: Survey data
Table 3 shows mean, standard deviation and correlations matrix of the variables. The entrepreneurial intention among under graduates of the faculty of management studies and commerce, university of Jaffna was high in terms of innovativeness, risk taking, their need for achievement, and locus of control. The Descriptive Statistics (table 3) showed that the means of need for achievement equal to 4.158 and standard deviations equal to 0.728 followed by innovativeness whose means equal to 3.815 and standard deviations equal to 0.554. It was followed by entrepreneurial intention whose means and standard deviations equal to 3.725 and 0.707. It was, then, followed by locus of control whose means equal to 3.718 and standard deviations equal to 0.508. For risk taking, its means equal to 3.622 and standard deviation equal to 0.446, respectively. Mean value of tolerance of ambiguity was low (2.738). The analysis revealed that all students have high level of need for achievement, innovativeness, locus of control, risk taking and entrepreneurial intention other than the tolerance of ambiguity.

**Table 3**: Mean, Standard deviations and Correlation matrix

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std. deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovativeness (1)</td>
<td>3.815</td>
<td>0.554</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Taking (2)</td>
<td>3.622</td>
<td>0.446</td>
<td>0.376**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Need for Achievement (3)</td>
<td>4.158</td>
<td>0.728</td>
<td>0.547**</td>
<td>0.299**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tolerance for Ambiguity (4)</td>
<td>2.738</td>
<td>0.798</td>
<td>-0.013</td>
<td>-0.057</td>
<td>-0.107</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Locus of Control (5)</td>
<td>3.718</td>
<td>0.508</td>
<td>0.300**</td>
<td>0.341**</td>
<td>0.467**</td>
<td>-0.108</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psychological Characteristics</td>
<td>18.050</td>
<td>1.77</td>
<td>0.710**</td>
<td>0.563**</td>
<td>0.741**</td>
<td>0.356**</td>
<td>0.608**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>(1+2+3+4+5 = (6))</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial Inclination(7)</td>
<td>3.725</td>
<td>0.707</td>
<td>0.547**</td>
<td>0.399**</td>
<td>0.387**</td>
<td>-0.095</td>
<td>0.555**</td>
<td>0.546**</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Survey data

**Correlation is significant at the 0.01 level (2-tailed)**

V. Hypotheses Testing

**Table 4**: Result of Multiple Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>-4.461</td>
<td>3.433</td>
<td>-1.299</td>
<td>0.197</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>0.535</td>
<td>0.117</td>
<td>0.419</td>
<td>4.557</td>
</tr>
<tr>
<td>Risk Taking</td>
<td>0.189</td>
<td>0.131</td>
<td>0.119</td>
<td>1.442</td>
</tr>
<tr>
<td>Need for Achievement</td>
<td>-0.077</td>
<td>0.093</td>
<td>-0.080</td>
<td>-0.830</td>
</tr>
<tr>
<td>Tolerance for Ambiguity</td>
<td>-0.061</td>
<td>0.099</td>
<td>-0.046</td>
<td>-0.610</td>
</tr>
<tr>
<td>Locus of Control</td>
<td>0.585</td>
<td>0.120</td>
<td>0.421</td>
<td>4.871</td>
</tr>
</tbody>
</table>

R² = 0.484  
F = 17.650  
Sig = 0.000

Source: Survey data

Dependent Variable: Entrepreneurial Inclination

Independent Variables: Innovativeness, Risk Taking, Need for Achievement, Tolerance of Ambiguity, Locus of Control.
Multiple regression analysis was conducted to evaluate the impact of psychological characteristics towards entrepreneurial inclination. Psychological characteristics were composed within the combinations of innovativeness, risk taking, need for achievement, tolerance for ambiguity and locus of control. Value of the coefficient of determination of dimensions of psychological characteristics which was \( R^2 = 0.484 \) whilst this result implied that 48.4% percent of the total variance perceived by psychological characteristics towards entrepreneurial inclination. As the model revealed the remaining 51.6% of the variability was not explained. An Analysis of Variance (ANOVA), indicates that; F = 17.650, p < 0.000, that the model was significant.

By supporting the evidence of multiple regression analysis, Innovativeness and locus of control had positive and significant influence towards entrepreneurial inclination. The result also confirmed to the hypotheses acceptance \((H_1, H_2, H_3, H_4)\). Risk taking had positive influence on entrepreneurial inclination but which was not accepted significant level. Need for achievement and tolerance for ambiguity had negative influence on entrepreneurial inclination which was also not significant level and did not confirm the hypothesized sign \((H_5, H_6, H_7, H_8)\). Those three hypotheses were not accepted in this study.

When compare the innovativeness and locus of control, locus of control had high influence towards on entrepreneurial inclination. \((\beta = 0.421, t= 4.871)\).

VI. CONCLUSION

The purpose of the study was to evaluate the impact of psychological characteristics on entrepreneurial inclination of students of Faculty of Management Studies and Commerce at the University of Jaffna and to give suggestions of the most influential psychological characteristics which are inclined towards entrepreneurship. It was observed that this group of students had very high need for achievement, was willing to innovate, had a high locus of control and had a high propensity to take risk. Tolerance of ambiguity was moderate. Psychological characteristics together explained 48.4% of the variance in the perception towards entrepreneurial inclination. And among the five psychological characteristics only two had positive significant influence on entrepreneurial inclination. Among those two psychological characteristics locus of control had high influence on entrepreneurial inclination than innovativeness.

This research will provide an appropriate finding that can have some important implications to a number of interest parties. Perhaps, the current study would also provide the guidelines on how this finding can be better used especially for research or academician. In addition, the study on psychological characteristics might give significant contribution on the development of the entrepreneurship field.

REFERENCES RÉFÉRENCES REFERENCIAS