Entrepreneurship in young adults: Initial findings from the young entrepreneurs study

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A B S T R A C T

The scientific study of youth entrepreneurship is truly in its infancy, with research on the development of entrepreneurship constrained by theoretical foundations that rely on static, trait-like approaches that equate entrepreneurship with stable personality characteristics. In this article, we define entrepreneurship as a fluid process that relies on the bidirectional interplay between a developing individual and his or her context. We report initial findings from the Young Entrepreneurs Study that clarify how entrepreneurial intentions and actions manifest in youth. We present quantitative analyses that examined the relations between entrepreneurial strengths and societal and economic conditions that promote entrepreneurial activity as well as individual capacities that help individuals create and sustain productive enterprises. Economic and business management scholars have devoted considerable attention to the societal and economic conditions that promote free enterprise (e.g., see Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2012 for a brief overview), and psychological researchers have investigated the individual capacities and characteristics associated with entrepreneurial success (e.g., Schmitt-Rodermund, 2004). Previous research, however, has primarily focused on entrepreneurship in adults, so little is known about how young people interact with social and economic contexts to acquire entrepreneurial capacities (Damon & Lerner, 2008).

The transition to adulthood is an important period for understanding successful entrepreneurship; although nearly half of American youth report having plans to start their own businesses (Gallup & Operation Hope, 2012), only about 10% of the U.S. adult population is engaged in entrepreneurial activities (Kelly et al., 2012). This discrepancy between youth’s aspirations and adults’ activities highlights the importance of understanding whether and how young people develop entrepreneurial intent and succeed in entrepreneurial activities during the transition to adulthood. In this paper we address this issue by examining how entrepreneurial interests and actions are manifested in a sample of college-aged participants.

Successful entrepreneurship, which we define as including both serial business creation and long-term business ownership (e.g., Schumpeter, 1934), offers a viable pathway to economic growth (Clifton, 2011) and personal fulfillment (Damon & Lerner, 2008). Yet, like all developmental outcomes, entrepreneurship does not occur in a vacuum. The development of entrepreneurship requires social and economic conditions that promote entrepreneurial activity as well as individual capacities that help individuals create and sustain productive enterprises. Economics and business management scholars have devoted considerable attention to the societal and economic conditions that promote free enterprise (e.g., see Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2012 for a brief overview), and psychological researchers have investigated the individual capacities and characteristics associated with entrepreneurial success (e.g., Schmitt-Rodermund, 2004). Previous research, however, has primarily focused on entrepreneurship in adults, so little is known about how young people interact with social and economic contexts to acquire entrepreneurial capacities (Damon & Lerner, 2008).

The alternative de-
active individual and his or her complex and dynamic context. Relation-
al Developmental Systems Theories (RDSTs; see Overton, 2010, 2013)
represent one theoretical paradigm that emphasizes such active, bidi-
rectional relations and, as we note elsewhere (Geldhof et al., in press),
RDSTs are especially useful for understanding the ways these relations
support the development of entrepreneurship. According to RDSTs,
attributes of the individual contribute to the development of entrepre-
nurial careers, but they do so as part of a larger person-context system.
Contextual factors, such as having an important adult role model, simi-
larly impact the development of entrepreneurship through their rela-
tions with variables from other levels (e.g., purposes or goals of the
individual). Thus, variables from all levels of organization, including
the biological, behavioral, and contextual levels, are important for
understanding the developmental precursors of entrepreneurship.

Relevant to the development of entrepreneurship, RDSTs also stress
the concept of relative plasticity, that is, the potential for systematic
change (e.g., Lerner, 1996). Under the assumption of relative plasticity,
researchers acknowledge that developmental trajectories remain rela-
tively plastic (i.e., potentially able to change) throughout the life span,
but they also acknowledge that the degree of plasticity is not fixed
across development. An individual’s career trajectory is substantially
more flexible when he or she is in college than after he or she becomes
established in a career field. As illustrated by the concept of “second ca-
reers,” however, career trajectories may never be truly fixed. Entrepren-
neurial interests may emerge well into adulthood (Freedman, 2007).
Thus, although research on the personal and ecological characteristics
that support entrepreneurship during adulthood are informative, re-
search that examines entrepreneurship during a period of relatively
greater plasticity (i.e., late adolescence and the transition to adulthood)
is likely to lead to intervention and training programs that can have
substantially stronger effects.

Scholars from several fields (e.g., Gartner, 1989; Kelley, Singer, &
Herrington, 2012; Peneder, 2009; Ripsis, 1998; Obschonka, Silbereisen,
& Schmitt-Rodermund, 2011; Schmitt-Rodermund, 2007; Schoon &
Duckworth, 2012) have called for theoretical approaches similar to
RDSTs when studying entrepreneurship, but little empirical research
has been conducted using such approaches. Accordingly, we used a
relational developmental systems perspective to design the Young
Entrepreneurs Study (YES). YES investigates the development of en-
trepreneurship across late adolescence and young adulthood in a
sample of students attending American colleges and universities
between 2011 and 2014. In the present article, we first review the
few studies of the individual and contextual factors associated with
entrepreneurial intent and activities among young people. We then
describe the YES project as an extension of this literature and present
mixed-methods data from its first wave of data collection. Specifically,
we highlight ways that entrepreneurial intentions and related con-
structs manifest in a sample of American college students. This induc-
tive research represents a critical step in entrepreneurship scholarship
by investigating the validity of our measures so they can be used in fu-
ture research examining person ↔ context processes that promote
entrepreneurship.

Young people’s entrepreneurial intentions and activities

As Damon and Lerner (2008) note, the scientific study of youth en-
trepreneurship is in its infancy. To date, so few studies have been
done that most reviews of the entrepreneurship literature do not even
mention the topic. For example, a recent and comprehensive collection
of reviews of the entrepreneurship research from a psychological per-
pective does not even contain the word “youth” in its index. Indeed,
studies of young people are not even mentioned in the volume (Baum,
Frese, & Baron, 2007). Nevertheless, some promising beginnings have
been made in identifying the forms, correlates, and predictors of
young people’s entrepreneurial intentions and actions (e.g., Schoon &
Duckworth, 2012).

Among published research, studies suggest that youth are divided in
their orientation toward entrepreneurial pursuits. A national survey of
“youth entrepreneurship attitudes” in Australia found that most young
people did not see themselves as possessing the personal attributes
required for successful entrepreneurship (Sergeant & Crawford, 2001).
However, almost two-thirds of the young people surveyed believed
that they possessed some of the requisite qualities for entrepreneurship.
Similarly, a study of the long-term goals of American youth found that
only a small minority of youth were primarily motivated by ambitions
such as starting a business (Damon, 2008). Even so, several young
people in this study had already accomplished extraordinary entrepre-
nurial achievements during their teenage years.

Damon (2008) also found that, by ages as young as eleven or twelve,
some participants displayed “entrepreneurial capacities such as resource-
fulness, persistence, know-how, and a tolerance of risk and temporary
set-backs” (p. 114). Furthermore, he found that these highly entrepre-
nurial young people shared several early experiences that may have
fostered their entrepreneurial capacities and interests, including: infor-
mation and modeling provided by persons outside the immediate family,
observations of successful people at work, realizations that something
important in the world can be built, realizations that they can build some-
thing and make a difference in the world, initial attempts to accomplish
something, support from immediate family, learning of skills needed
for this pursuit, increased practical effectiveness, enhanced optimism and
self-confidence, and long-term commitment to goals. Damon’s study,
however, was exploratory in nature and included only a small number
of youth who were highly entrepreneurial (N = 12).

Another study, this one of students and small business founders in
East Germany during the decade immediately following re-unification,
found that students with authoritative parents showed high levels of
entrepreneurial interests, competence, and personality characteristics;
furthermore, students who had observed their parents engaging in en-
trepreneurial activity were more likely to show entrepreneurial compe-
tence than those who had not (Schmitt-Rodermund, 2004). Students
who showed interest in entrepreneurial activities at the time of data
collection planned to be self-employed and pursuing entrepreneurial
careers by age 40, whereas those who did not express entrepreneurial
interests were planning for careers in government, the independent
non-profit sector, or in companies run by others.

Recently, Schmitt-Rodermund and her colleagues also analyzed data
from a large group of boys (N = 718) from the Terman study of gifted
children (Schmitt-Rodermund, 2007). Boys who demonstrated the
most personal characteristics and interests linked to entrepreneurship
when they were 12 or 13 also had the greatest propensities to become
engaged in entrepreneurship by age 51, especially if they grew up
with authoritative parents.

Schmitt-Rodermund and Vondracek (2002) found that, for youth
willing to expend effort, entrepreneurial orientation was higher for
those who displayed higher self-efficacy, who were open to new expe-
riences, and who were low in agreeableness. In addition, entrepreneurs
have been shown to display characteristics such as intentional self-
regulation skills, aspects of youth character (e.g., creativity, curiosity,
diligence, future mindedness, and reliability), and other personal atti-
duates previously found to relate to entrepreneurial behavior (e.g., risk
tolerance and work values related to intrinsic motivation; Damon &
Lerner, 2008). In addition, childhood and adolescent experiences
(i.e., early commercial activities), proclivities toward leadership and in-
ventive activities, and contextual resources (e.g., entrepreneurial role
models and authoritative parenting), lead to entrepreneurial activities
during adulthood (Obschonka et al., 2011).

Finally, pilot interviews for the YES project (not presented here)
suggested that a key feature differentiating entrepreneurs from non-
entrepreneurs was the way each group approached money. Interviews
conducted in preparation for the YES project suggested that entrepre-
nurs treated money not as an end, but instead as a means. Differences
in how entrepreneurs approach money may therefore be important for
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