



## Entrepreneurial intentions: The influence of organizational and individual factors

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### ABSTRACT

An individual's intent to pursue an entrepreneurial career can result from the work environment and from personal factors. Drawing on the entrepreneurial intentions and the person–environment (P–E) fit literatures, and applying a multilevel perspective, we examine why individuals intend to leave their jobs to start business ventures. Findings, using a sample of 4192 IT professionals in Singapore, suggest that work environments with an unfavorable innovation climate and/or lack of technical excellence incentives influence entrepreneurial intentions, through low job satisfaction. Moderating effects suggest that an individual's innovation orientation strengthens the work–environment to job–satisfaction relationship; self-efficacy strengthens the job–satisfaction to entrepreneurial intentions relationship.

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### 1. Executive summary

The presence of technology-based firms has long been associated with a nation's economic growth and prosperity. Many of these firms emerge when IT professionals leave their organizations to start businesses. This paper examines why IT professionals intend to leave their jobs to start business ventures. We focus on entrepreneurial intentions, since intentions toward a purposive behavior can be crucial antecedents of that behavior. Understanding the factors influencing entrepreneurial intentions is, thus, a central component of studying the new venture creation process. Specifically, we examine how individual- and organizational-level factors (such as individual innovation orientation, organizational innovative climate and technical excellence incentives) interact to affect the level of job satisfaction experienced by IT professionals, which in turn, impacts entrepreneurial intentions. The strength of the relationship between the level of job satisfaction and entrepreneurial intentions, however, can be moderated by the individual's self-efficacy.

Our sample comprised 4192 IT professionals from IT user firms, vendor firms, and government organizations. The results of this study indicate that individuals with high innovation orientation—more so than their low innovation orientation counterparts—are negatively affected (experience low job satisfaction) by a restrictive organizational innovative climate and poor technical excellence incentives. Furthermore, contrary to existing studies that theorize direct links between negative situational factors and entrepreneurial intentions, we found that the mismatch between individual characteristics and poor organizational conditions is indirectly linked to entrepreneurial intentions through low job satisfaction. Our findings also suggest that self-efficacy strengthens the relationship between low job satisfaction and entrepreneurial intentions. This finding suggests that employees who are confident of their job skills may be more motivated to leave their companies to start businesses if they experience low job satisfaction.

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We advance the research in understanding what motivates individuals to leave their jobs to form new businesses. We employ the multilevel perspective, including the impact of low job satisfaction and self-efficacy, while accounting for the misfit between the individual's innovation orientation and the organization's innovative climate and technical excellence incentives. More importantly we show that, while self-employment becomes desirable when there is a mismatch between employee innovation orientation and characteristics of the organizations for which they work, the progression from low job satisfaction to entrepreneurial intentions may depend on feasibility perceptions, that is, self-efficacy. High self-efficacy employees may be more confident about starting successful businesses; these employees may, therefore, be more apt to leave their companies to start businesses if they experience low job satisfaction.

Our results also provide insights for organizational leaders and policymakers in managing innovations and in cultivating entrepreneurship. Organizations valuing innovation can put structures and incentives in place to cultivate an innovative climate to help prevent “brain drain” and the consequences of having employees leave to set up new, potentially competitive ventures. Alternatively, organization leaders can exploit the misfit between individual needs and organizational characteristics by providing spin-off opportunities to tap into employees' desires for innovation. Employees who are not satisfied with their organizational practices can be allowed to start spin-offs, and the parent organizations can support them with financial and human resources. Policymakers can provide educational and training programs to employees who are not satisfied with their jobs to raise their self-efficacy levels, hence strengthening their confidence in pursuing entrepreneurship as an alternative career choice.

## 2. Introduction

The presence of technology-based firms has long been associated with a nation's economic growth and prosperity (Rothwell and Zegveld, 1982). IT professionals who leave their organizations to start businesses are a key source of these firms (Roberts, 1991; Romanelli and Schoonhoven, 2001). This paper addresses the reasons IT professionals leave their jobs to start business ventures. We focus on entrepreneurial intentions as crucial antecedents of that purposive behavior (Ajzen, 1987; Ajzen and Fishbein, 1980; Krueger et al., 2000). Understanding the factors influencing entrepreneurial intentions is, thus, a central part of studying the process of venture creation.

The research on entrepreneurial intentions examines the main factors: desirability (perceptions of the personal appeal of starting a business) and feasibility (degree to which one feels capable of doing so) (Krueger et al., 2000; Shapero and Sokol, 1982). Relative to the desirability factor, we examine individual-level factors of innovation orientation, job satisfaction, and self-efficacy together with organizational-level factors of innovative climate and technical excellence incentives. We theorize that IT professionals are driven into entrepreneurship by low job satisfaction (Brockhaus, 1980; Cromie and Hayes, 1991; Watson et al., 1998) caused by a mismatch between their innovation orientation and characteristics of the organizations for which they work (innovation climate and technical excellence incentives).

We extend the entrepreneurial intentions literature by introducing a multilevel perspective of individual and organizational factors influencing business creation intentions. Proponents of multilevel research (Hitt et al., 2007; Ireland and Webb, 2007), particularly in entrepreneurial research (Davidsson and Wiklund, 2001), explain that to understand entrepreneurial intentions, researchers must account for both organizational and individual factors. While studies indicate that organizational factors influence the job satisfaction of technical employees (Mak and Sockel, 1999; Sankar et al., 1991), these studies offer little on why these factors affect some individuals more than others. We provide a better understanding by introducing the single characteristic, innovation orientation, as a moderating factor. We theorize that the higher the employee's desire for innovation, the stronger the influence of restrictive innovative climate/poor technical excellence incentives on job satisfaction.

Regarding the feasibility factor, we advance entrepreneurial intentions research by looking beyond the main effects of self-efficacy on entrepreneurial intentions (Krueger et al., 2000; Shapero and Sokol, 1982). We theorize that self-efficacy strengthens the relationship between low job satisfaction and entrepreneurial intentions. High self-efficacy employees can be more confident about starting successful businesses; these employees are, therefore, more apt to leave their companies to start businesses if they experience low job satisfaction. Taken as a whole, we include individual- and organizational-level influences on entrepreneurial intentions, as well as the moderating effects of innovation orientation and self-efficacy on these relationships. Fig. 1 summarizes our conceptual model.

In the next section, we review the entrepreneurial intentions literature. We then use the person–environment (P–E) fit theory to hypothesize the interactive effects of individual innovation orientation and organizational innovation climate/technical excellence incentives on job satisfaction. We explain the relationship between low job satisfaction and self-efficacy on

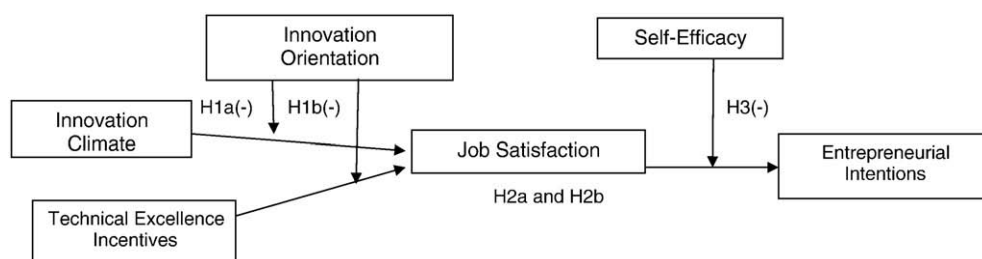


Fig. 1. Proposed model of relationships among key constructs of study.

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