



Interaction between feasibility and desirability in the formation of entrepreneurial intentions

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ABSTRACT

The literature argues that entrepreneurial intentions depend on perceptions of desirability and perceptions of feasibility. Research in other fields suggests that there will be an interaction effect between these two main antecedents of intentions, but such interaction has not been investigated in the context of entrepreneurial intentions. In this paper we explore this interaction effect in an expectancy framework, hypothesizing a negative interaction effect between perceived desirability and perceived feasibility based on regulatory focus theory. A large multi-country sample confirms this negative interaction, and suggests a novel typology of nascent entrepreneurs as natural entrepreneurs, accidental entrepreneurs, and inevitable entrepreneurs.

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1. Executive summary

Understanding the formation of entrepreneurial intentions is important for our understanding of the study of entrepreneurial behavior (Shane and Venkataraman, 2000). Krueger and colleagues have established that the antecedents of entrepreneurial intentions can be parsimoniously characterized by the individual's perceived desirability and perceived feasibility of the entrepreneurial opportunity (Krueger and Brazeal, 1994; Krueger and Carsrud, 1993; Krueger et al., 2000). To this point only main effects have been studied, with no consideration given to interaction effects. Yet studies in other research fields (Conner and McMillan, 1999; Feather, 1988; MacIver et al., 1991) have argued a multiplicative relationship between the antecedents of intentions, using expectancy theory (Vroom, 1964) which posits a multiplicative relationship between expectancy and valence. Steel and Konig (2006) argue that perceived feasibility aligns with expectancy and perceived desirability aligns with valence. Accordingly, we expect that perceptions of feasibility and perceptions of desirability may interact in the formation of the individual's entrepreneurial intentions.

If there is an interactive effect, should we expect it to be positive or negative? Using regulatory focus theory (Higgins, 1987; Shah and Higgins, 1997) we argue for a negative interaction effect, since prospective entrepreneurs are likely to adopt a 'prevention' focus when considering whether to invest their time and money into the exploitation of an entrepreneurial opportunity, following Brockner et al. (2004) who argue that prospective entrepreneurs might adopt a promotion focus initially in the opportunity recognition phase of the entrepreneurial process, but are likely to adopt a preventative focus in the viability screening or exploration phase (Choi et al., 2008). Accordingly we hypothesize a negative interaction effect between perceived desirability and perceived feasibility in addition to the main effects.

Our sample comprises 414 MBA students taking an entrepreneurship course in Australia, China, India or Thailand. We measured entrepreneurial intentions on four items using a 7-point Likert scale, following Douglas and Shepherd (2002), which provided good reliability. For perceived desirability we conducted a conjoint experiment designed to discern attitudes to income, risk, work effort,

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independence and ownership of the firm, using a 7-point Likert scale. This followed Douglas and Shepherd (2002) except that we substituted 'attitude to majority ownership of the firm' (in which the respondent would work) for 'attitude to net perquisites' in the earlier study. We argue that the individual's attitude to ownership is a parsimonious and sufficient proxy for perceived desirability. For perceived feasibility we used the entrepreneurial self-efficacy scale developed by Chen et al. (1998) which includes 22 items each measured on a 5-point Likert scale. Since human capital has been shown to influence the formation of entrepreneurial intentions (Davidsson and Honig, 2003; Dimov and Shepherd, 2005) we also included measures of age, gender, and education. And since social norms may influence behaviors (Krueger and Kickul, 2006) we included dummy variables for the respondents' country of origin.

We used hierarchical regression analysis, first entering the control variables, then the perceived desirability and perceived feasibility measures, and finally introducing the interaction variable. The base model showed only prior self-employment to have a significant positive relationship with entrepreneurial intentions. The main effects model showed both perceived desirability and perceived feasibility to be highly significantly and positively related to entrepreneurial intentions, and the human capital variables of age and education became significant at this point. When the interaction effect was considered it was found to be negatively and significantly related to entrepreneurial intentions, confirming our hypothesis, and perceived desirability, perceived feasibility, and prior self-employment remained significant as before. The results indicate that entrepreneurial intentions are high when both perceived desirability and perceived feasibility are high, but are also high when either perceived desirability or perceived feasibility is high (and the other is low). We argue that the high/low and the low/high combinations represent the 'inevitable' and the 'accidental' entrepreneur, respectively, and provide support for Bhawe (1994).

This paper makes several main contributions to the entrepreneurial intentions literature. First we make the case for a negative interaction effect based on regulatory focus theory and demonstrate this empirically. Second, we introduce a more parsimonious measure of perceived desirability, this being the attitude towards ownership of the firm. Third, we demonstrate that perceived desirability and perceived feasibility need not both be high to induce entrepreneurial intentions, since nascent entrepreneurs with a high/low combination are also likely to form entrepreneurial intentions. Fourth, we introduce a taxonomy of nascent entrepreneurs (natural, accidental, and inevitable entrepreneurs) which may have value in studies of different entrepreneurial types.

2. Introduction

As intentions have been shown to be a good predictor of subsequent behavior (e.g. Ajzen, 2001; Bagozzi et al., 1989), understanding the identity and nature of the antecedent factors that influence entrepreneurial intentions is of crucial importance to the study of entrepreneurial behavior (Shane and Venkataraman, 2000). Existing theory suggests that entrepreneurial intentions are largely a function of perceptions of desirability and perceptions of feasibility (Krueger, 1993; Krueger and Brazeal, 1994; Krueger et al., 2000). Recent research, however, has suggested that the relationship between these factors might be more complex (e.g. Krueger and Kickul, 2006).

In addition, recent work on motivation theory in the organizational behavior literature has explored the close relationship between intentions models and expectancy theory (Vroom, 1964). Expectancy theory assumes a multiplicative relationship between expectancy and valence in individual decision making. Steel and Konig (2006) argue that perceived feasibility aligns with expectancy and perceived desirability aligns with valence. Thus, there is reason to suggest that perceptions of feasibility and perceptions of desirability may be expected to interact in the formation of an individual's intention to become an entrepreneur. Indeed, several researchers in the organizational behavior literature have suggested that such an interaction effect is to be expected (e.g. Bandura, 2002; Eagly and Chaiken, 1993; Eccles et al., 1983) and empirical work has found evidence of an interaction between perceptions of feasibility and perceptions of desirability in the formation of behavioral intentions in other contexts (e.g. Conner and McMillan, 1999; Feather, 1988; MacIver et al., 1991).

But while interaction effects have been observed in other contexts, we are not aware of any study that has investigated the possibility of interaction effects in the formation of entrepreneurial intentions. If interaction effects are present, they will have important implications for understanding entrepreneurial behavior. For example, while it is commonly supposed that an individual requires both high perceived desirability and high perceived feasibility to be motivated to act entrepreneurially, it may be that strong entrepreneurial intentions will form as long as either perceptions of desirability or perceptions of feasibility are above some threshold value.

In the following sections we review existing literature and examine the relationship between entrepreneurial intentions models and expectancy theory. We subsequently develop our argument for the existence of a negative interaction effect in the formation of entrepreneurial intentions. We then outline our sample and methodological approach, before reporting the empirical results. Lastly, we conclude with our main contributions, and discuss the limitations and implications of this study for further research.

3. Theory

3.1. Entrepreneurial intentions models

A number of models have been proposed to explain the relationship between an individual's personal characteristics and their entrepreneurial intentions (e.g. Ajzen, 1987; Bird, 1988; Boyd and Vozikis, 1994; Krueger and Brazeal, 1994; Shaper, 1982). These have been largely based on two models in particular, viz: the Entrepreneurial Event Model (Shaper, 1982) and the Theory of

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