



## Reconstructing entrepreneurial intentions to identify predisposition for growth

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### ABSTRACT

The entrepreneurial-intentions literature implicitly assumes that all intending entrepreneurs have similar growth aspirations, despite the observed dichotomy of growth- and independence-oriented new ventures. We integrate the 'individual-opportunity nexus' with heterogeneous opportunities into the entrepreneurial intentions model such that intending entrepreneurs may exhibit different growth intentions which drives their choice between growth- or independence-oriented new ventures. The individual's predisposition for growth (or not) will depend on the interaction of the salient outcomes offered by the opportunity with the attitudes of the individual towards those outcomes, and by differences in entrepreneurial self-efficacy. We find that the attitudinal antecedents differ for growth compared to independence intentions, and suggest a way to identify intending entrepreneurs who are predisposed to growth.

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### 1. Executive summary

Previously the study of entrepreneurial intention has been limited to the generic intention to start a new venture. This paper proposes that the entrepreneurial intention construct is currently too broad and can be made more useful by considering what type of new venture the individual intends to start. Researchers and observers of entrepreneurial new ventures distinguish between growth-oriented and independence-oriented firms, and note that the latter contribute relatively little to societal benefit via employment creation and tax revenue generation. To increase social welfare it is important to identify individuals who are predisposed to manage growth-oriented firms, preferably at the earliest stage of the entrepreneurial process when entrepreneurial intentions are forming, and particularly if public funding is to be used to support new venture start-ups. We argue that the growth intentions of the individual are embodied in the decision to start a new venture, and whether these are high-growth or low-growth intentions depends upon the abilities, attitudes, and means available to the individual, such that some intending entrepreneurs are predisposed to growing their venture whereas others are not.

Our paper integrates a number of theoretical notions that are currently not well integrated into the intentions literature. First, we integrate the individual-opportunity nexus with heterogeneity on both sides of the nexus. We argue that growth-orientation of a new venture is intended (or not) by the individual according to the interaction between that individual's attitudes and abilities and the new venture's supply of outcomes which are salient to the individual (namely income, autonomy, risk, work intensity, and work enjoyment). Second, we integrate into the entrepreneurial intentions model the choice among entrepreneurial opportunities as a utility-maximizing decision. We argue that the individual chooses the opportunity that provides the five salient outcomes in a combination that best complement the individual's attitudes to those salient outcomes, such that the individual maximizes his/her expected utility (or psychological well-being). Third, we integrate

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into the intentions literature that the *a posteriori* growth-oriented or independence-oriented nature of new ventures is an intended outcome, being woven into the fabric of the new venture during the intentions stage of the entrepreneurial process, except where subsequently thwarted by *force majeure*. Finally, our theoretical model provides an explanation for the inconsistent and ambiguous findings relating to some of the human capital and cognitive antecedents of entrepreneurial intentions in previous studies when entrepreneurial intentions were defined too broadly to mean the simple intention to start a new venture without regard to the growth or independence intentions that are, we argue, necessarily embodied in the intention to start a new business venture.

Thus we argue that intending entrepreneurs will choose to pursue the opportunity that offers them the combination of income, autonomy, risk, work effort and work enjoyment that maximizes their expected utility. We argue that these salient outcomes will be perceived by the intending entrepreneur to be different across opportunities and particularly for ventures with high-growth versus low-growth potential. We develop scales that measure the individual's intention to start either a growth-oriented or an independence-oriented new venture, and subsequently explain the strength of these intentions by the individual's attitudes to the salient outcomes, entrepreneurial self-efficacy, and control variables. We apply principal components analysis to espoused data provided by graduating MBA students (as proxies for intending entrepreneurs) and find that intentions for growth-oriented new ventures and independence-oriented new ventures are indeed separate and distinct constructs. Entrepreneurial self-efficacy (ESE) and control variables were estimated using pre-tested survey items, and attitudes to the salient outcomes were revealed by a conjoint experiment. We found that growth-oriented intentions (GOI) were positively and highly significantly associated with ESE; negatively and significantly associated with attitude to work enjoyment; and positively and marginally significantly associated with being male. Independence-oriented intentions (IOI) were negatively and significantly associated with risk tolerance. Interestingly, although not statistically significant, the signs for ESE, gender, and all of the attitude variables were opposite for growth-oriented intention as compared with independence-oriented intention. Thus we conclude that GOI and IOI are separate constructs; that they are driven by different antecedent variables, and that intending entrepreneurs may be identified as predisposed to growth (or not) on the basis of their attitudes and entrepreneurial self-efficacy.

## 2. Introduction

The identification of individuals with entrepreneurial intentions is important because it facilitates private investment and public funding being most efficiently channeled toward those who will start new businesses that create value for individuals and society. There has been substantial research into the antecedent causes of the formation of entrepreneurial intentions, but previous authors have treated entrepreneurial intention as a single generic construct (Bird, 1988; Bird and Jelinek, 1988; Fitzsimmons and Douglas, 2011; Krueger, 1993; Krueger and Brazeal, 1994; Krueger et al., 2000; Lee et al., 2011), notwithstanding the general observation that entrepreneurs tend to subsequently operate one of two main types of new ventures – either an independence-oriented new venture or a growth-oriented new venture (Carter et al., 2003; Cassar, 2006, 2007; Gartner et al., 2004; Gundry and Welsch, 2001; Hessels et al., 2008; Kolvereid, 1992; Reynolds, 2000; Shane, 2009; Shaver et al., 2001; and Wennekers and Thurik, 1999). Since entrepreneurship is a planned activity (Ajzen, 1985; Krueger and Carsrud, 1993) it seems plausible that intending entrepreneurs would incorporate into their planning that their venture would be growth-oriented, and/or would be independence-oriented, to a greater or lesser degree. Accordingly, we suspect that the construct 'entrepreneurial intentions' is too broadly defined and lacks construct clarity (Suddaby, 2010) and thus potentially confounds prior research results.

Shane and Venkataraman (2000; p.218) acknowledge the heterogeneity on both sides of the 'individual-opportunity nexus' and illuminate the critical issue when they say "The definition of an entrepreneur as a person who establishes a new organization is [problematic because it] does not include consideration of the wide variety of opportunities that different people identify... Consequently, empirical support for attributes... that differentiate entrepreneurs from other members of society is often questionable because these attributes confound the influence of opportunities and individuals." Similarly, Davidsson and Wiklund (2001) argue that to understand entrepreneurial intentions one must consider both the characteristics of the individual and the organization in which they would work. Thus, studies of the antecedents of entrepreneurial intentions that neglect the heterogeneity on the opportunity side of the nexus are likely to confound the influence of opportunities and individuals, such that intentions attributable to individuals might depend on the specific new venture opportunity envisioned. By considering the main dichotomy of new venture types on the opportunity side of the individual-opportunity nexus we hope to provide a better understanding of entrepreneurial intentions and thereby better illuminate the public policy and educational implications of supporting nascent and fledgling entrepreneurs. Failing to consider heterogeneity of venture type in studies of entrepreneurial intention may cause public policy makers and educators to mentally homogenize entrepreneurs and inadvertently contribute to the failure rate of new ventures by encouraging the placement of 'square pegs into round holes' with consequent personal and societal losses.

Over the past few decades it has become conventional wisdom that governments should support new venture initiation. The basis for public financial support of nascent and fledgling entrepreneurs has been that most new job creation is by growth-oriented 'gazelles' that contribute disproportionately to employment growth and tax revenues (Birch, 1981; Storey, 1994). However several authors have pointed out that high-growth firms are relatively rare and the vast majority of new ventures are created primarily to provide 'salary-substitution' small businesses for their owners (Hessels et al., 2008; Shane, 2009; Wennekers and Thurik, 1999). Shane (2009) argues that public support of salary-substitution new ventures is not an efficient use of public funds, and that funding policies should more-selectively identify those nascent entrepreneurs who are

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