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Linking young individuals' capital to investment intentions: Comparing two cultural backgrounds

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ABSTRACT

By integrating the Entrepreneurial Intentionality Model and the Theory of Planned Behaviour, we explored the effects of human, social and financial capital on young individuals' investment intentions in two groups (97 English and 97 Greeks). Results indicated that human capital is directly and indirectly related to investment intentions via, first, subjective norms and, consequently, personal attitudes and perceived behavioural control, while social capital is only indirectly related to investment intentions via perceived behavioural control. In the individualistic group (English), human capital related directly and positively with investment intentions while social capital related indirectly to investment intentions via its positive relationship to subjective norms. With regard to participants from a collectivistic background (Greeks), human capital related indirectly to investment intentions via, first, subjective norms and, consequently, personal attitudes and perceived behavioural control, while social capital related directly and indirectly to investment intentions via perceived behavioural control. Financial capital was only negatively related to investment intentions in the total and Greek sample.

1. Introduction

New venture formation or growth is a resource-intensive process that is linked with the availability of financial capital or access to financial resources. When it comes to young individuals, the likelihood of engaging in entrepreneurial activities may be high (Lévesque and Minniti, 2006) but their access to financial resources is usually scarce. In order to boost venture creation and growth among young individuals, human and social capital may become of higher importance than financial capital. Young individuals may act as bricoleurs and utilise whatever resources are at hand (Baker & Nelson, 2005) in order to create or grow a venture. Venture creation and growth can be considered the output of different types of capital investment from various investors. Young bricoleurs may act as potential "alternative" investors that follow an effectuation process in order to engage in entrepreneurial activities (Sarasvathy, 2001) by investing their (human, social, financial) capital in an already identified entrepreneurial opportunity (Palamida, Papagiannidis, Xanthopoulou, & Stamati, 2015). This opens a new research agenda that aims at our better understanding of why and when investors may engage in entrepreneurial creation and growth by investing not exclusively financial resources.

Therefore, this paper is based on Sarasvathy's (2001) theorisation regarding the processes that lead to entrepreneurial entry and growth by adopting the effectuation perspective. Instead of approaching entrepreneurship from a firm's perspective (e.g. Knockaert & Ucbasaran, 2013) this research is concentrated on the cognitive aspects (Chaston & Sadler-Smith, 2012). Particularly, leaving behind the over-researched traditional entrepreneur's view (individuals responsible for the idea generation e.g. Leitch, McMullan, and Harrison, 2013; Wright, Robbie, & Ennew, 1997), in this paper we focus on investment activities and potential investors who are individuals from the general public – not formal or informal investors – and are responsible for investing human, social and financial capital in a business idea that they truly believe in (e.g. Palamida et al., 2015).

Our research objective is to identify the underlying mechanisms that explain how different forms of capital are associated with young individuals' decisions to engage in investment activities. To do so, we incorporate the psychological antecedents of intentions

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that are proposed by the Theory of Planned Behaviour (TPB; Ajzen, 1991) in the Entrepreneurial Intentionality Model (EIM; Bird, 1988). Given that engaging in entrepreneurial activities presupposes the possession of human capital, social capital and financial capital, these diverse forms of capital may be conceptualised as personal factors that form investment intentions (Bird, 1988). Following Ajzen and Fishbein (2005), we argue that the effect of the different forms of capital on investment intentions is transmitted via the proximal antecedents of intentions, namely, personal attitudes (PA), subjective norms (SN) and perceived behavioural control (PBC). In particular, we initially hypothesise that human, social and financial capital relate indirectly to intentions through the mediation of attitudes, norms and control.

Also, we explore possible differences in the processes that explain intentions to invest diverse forms of capital across young individuals from culturally diverse backgrounds. Considering that attitudes, norms and control are influenced by a wide variety of cultural factors, differences in the proposed relationships are expected to vary between individuals with a collectivistic versus an individualistic cultural orientation (Ajzen & Fishbein, 2005; Markus & Kitayama, 1991; Triandis, 1995). We study cultural values by means of membership of a specific national group (Schwartz, 1999), and we distinguish between individualistic and collectivistic cultures by focusing on young individuals with English and Greek nationality, respectively (Hofstede, 2001). It is expected that the relationship between control/attitudes and investment intentions will be stronger in an individualistic culture, while the link between norms and investment intentions will be stronger in a collectivistic culture. Moreover, the relationship between human capital and the antecedents of intentions will be stronger in an individualistic culture, while the link between social/financial capital and the antecedents of intentions will be stronger in a collectivistic culture.

This research contributes to the entrepreneurship field by concentrating on effectuation processes and by approaching venture creation/growth from the investors' perspective. In this sense, this paper is one of the few studies that go beyond the over-researched role of financial capital on investment by additionally providing evidence regarding the link between human-social capital and investment intentions. What is more, our research contributes to the interdisciplinary research of applied social psychology and entrepreneurship, since it tests the applicability of a new integrated model that combines personal and psychological characteristics. Based on this, we explain how the diverse forms of capital are linked to investment intentions via the mediating role of the psychological antecedents of intentions. We also use specific measurements regarding human and social capital that go beyond the parsimonious measurements of previous research and therefore increase the validity of the link between capital and intentions. Moreover, this study contributes to the ongoing debate about the role of cultural characteristics in entrepreneurial engagement decisions by showing that cultural differences may differentiate the way that the diverse forms of capital will increase investment intentions. Finally, from a practical perspective, our approach lead us to suggest that interventions should take into consideration the diverse processes that boost venture creation according to the cultural background.

2. Literature review

Our conceptualisation regarding the role of human, social and financial capital in investment intentions is based on Bird's (1988) Entrepreneurial Intentionality Model and Ajzen's (1991) Theory of Planned Behaviour. Following Herron and Sapienza's (1992) proposition that the entrepreneurial process is holistically captured only when psychological variables are present, we extend Bird's (1988) theoretical assumption regarding the link between personal factors and intentions by incorporating the core motivational antecedents of intentions, namely personal attitudes, subjective norms and perceived behavioural control as proposed in the TPB. As the indirect effect of capital on investment intentions is determined by individuals' personal attitudes, subjective norms and perceived behavioural control, which are influenced by a wide variety of cultural factors, differences in the proposed relationships are expected between individuals with a collectivistic and individualistic orientation (Ajzen & Fishbein, 2005; Markus & Kitayama, 1991; Triandis, 1995). Fig. 1a presents the conceptual model of this study.

2.1. The role of personal and psychological factors in investment intentions

Bird (1988) postulates that the formation of entrepreneurial intentions is influenced by personal factors. Personal factors reflect individuals' qualities that concern the ability to effectively use developed skills and competences (i.e. human capital), the ability to interact efficiently with others within a family, a community or even an institution and extract benefits (i.e. social capital) and finally, the ability to possess certain financial resources (i.e. financial capital). The availability of human, social and financial capital can make it possible for an individual to invest in a venture. Previous research has provided evidence regarding the role of the diverse facets of capital in the formation of entrepreneurial intentions (Arenius & Minniti, 2005; Cetindamar, Gupta, Karadeniz, & Egrican, 2011; Davidsson & Honig, 2003) and in the investment intentions context (Palamida et al., 2015).

Additionally, entrepreneurial/investment intentions are influenced by psychological factors. The TPB (Ajzen, 1991) explains intentions by means of attitudes, norms and control. Attitudes represent individuals' positive or negative evaluations regarding engaging in a given behaviour. Norms describe individuals' beliefs about how close social ties think about their engagement in the given behaviour. Finally, control entails individuals' beliefs as to whether they possess the required capabilities to engage in a given behaviour, including the ability to control the environment successfully (self-efficacy) or the specific behaviour (controllability) (Ajzen, 1991, 2001, 2002). Following Coleman's (1990) Social Capital theory and Bandura's (1997) Social Cognitive theory, we propose that positive social influences (i.e. norms) do not only relate directly to investment intentions but also indirectly by informing individuals' attitudes and control. Social norms transfer specific values that may cause favourable perceptions regarding a given behaviour (Prislin & Wood, 2005) and enhance individuals' beliefs about their capabilities to engage in a given behaviour (Wood & Bandura, 1989). This suggests that norms associate positively with individuals' attitudes and control, which in turn form intentions towards a given behaviour. The vast majority of previous research has verified this mediating role mainly among University students in diverse national contexts (e.g. Autio, Keeley, Klofsten, Parker, & Hay, 2001, Entrialgo & Iglesias, 2016; Liñán, 2008; Liñán & Chen, 2009; Liñán et al., 2011, 2013; Liñán, Nabi, & Kueger, 2013, Liñán, Urbano, & Guerrero, 2011). To the best of our knowledge, the only exception that confirmed both mediating effects in different sample groups is the work of Palamida et al. (2017), which based its findings on employed/unemployed individuals in Greece and the findings of Alonso-Galicia, Fernández-Pérez, Rodríguez-Ariza, and Fuentes-Fuentes (2015), which confirmed only the mediating role of attitude with a sample of academics in Spain. Thus concentrating on the young population, we formulate the following hypothesis:

Hypothesis 1. *Personal attitudes* (*a*) *and perceived behavioural control* (*b*) *mediate the relationship between subjective norms and*