Motivations, business planning, and risk management: entrepreneurship among university students

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Abstract

The objective of this study was to compare motivations for entrepreneurship, business planning, and risk management between two groups of university students: those who already had a business (experienced entrepreneurs) and those intending to start one (potential entrepreneurs). A total of 424 undergraduate and graduate students participated in the survey study. Descriptive and inferential analyses were conducted to compare the groups. The results indicate that the entrepreneurial motivations of potential student entrepreneurs are higher than those of experienced student entrepreneurs. In the process of creating the business, it was shown that both groups of students are cautious about managing business risks, but the group of potential student entrepreneurs appeared more concerned with the business plan than the experienced group.

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Keywords: Entrepreneurial motivations; Business planning; Risk management; University students

Introduction

Since the 1990s, interest in the entrepreneurship training of university students in Brazilian higher education institutions has been continually increasing. Politicians and university leaders have begun to realize the importance of treating entrepreneurship as an academic training area. The focus of Brazilian higher education strictly on the training of future qualified employees has already proven insufficient given the country’s needs (Lima, Lopes, Nassif, & Silva, 2011).

There is evidence in the literature that entrepreneurship education has helped university students develop positive attitudes toward entrepreneurship and increased their positive perception of business viability (opportunity analysis) (Bae, Qian, Miao, & Fiet, 2014). In short, the maximum use of skills and talents, the perception of control over the future, the positive attitude toward learning new things and putting creativity into practice, fear of unemployment, personal values, the search for autonomy, financial independence, and self-actualization, plus the ideal of fulfilling a social mission, are further individual reasons that lead university students to take on their entrepreneurial career (Barba-Sánchez & Atienza-Sahuquillo, 2012).

Although the results of research on the motivation and reasoning that leads college students to follow the entrepreneurial career path indicate a set of personal and contextual variables that, hypothetically, explain the entrepreneurial career choice of college students in general, little is known about the differences in the influence of such variables among experienced entrepreneurial students, non-entrepreneurial students, and students who are potential entrepreneurs. Behavioral and attitudinal differences between entrepreneurs and non-entrepreneurs have long been the subject of research. Empirical and theoretical research comparing experienced entrepreneurs, new entrepreneurs, non-entrepreneurs, and managers is emphasized here, considering that studies of this nature focused on university students were not located in a bibliographic search.

The study by Carland, Hoy, Boulton, and Carland (1984) explores, based on Schumpeter (1934) and on results from

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other studies, the differences between entrepreneurs and small business owners, proposing a conceptual framework that differentiates them. In this framework, pro-innovation behavior is a critical factor in differentiating entrepreneurs from non-entrepreneurial managers, on the one hand, and from small business owners, on the other.

Contrary to many studies on entrepreneurship, Gartner (1985), a classic in the field of entrepreneurship studies, warns that in addition to the differences between entrepreneurs and non-entrepreneurs, there are also differences among the entrepreneurs themselves. Based on a bibliography review, that author identifies six activities common to entrepreneurs: finding business opportunities, accumulating resources, introducing products and services in the market, manufacturing products, establishing organizations, and responding to the requirements of society and of governments. All of these activities involve risk, demand some level of planning, and can also help reveal the diversity among entrepreneurs.

The study by Baron and Ensley (2006), for example, showed that experienced entrepreneurs identify and explore more business opportunities than novice entrepreneurs. The study by Hooks (2010) compared attitude, leadership, innovation, perceived control, and self-confidence of new and experienced entrepreneurs, and how these are related to satisfaction with life. It found that new entrepreneurs have more satisfaction with life and that the experienced ones see the failures of the past as an opportunity for growth. The study by Walter and Heinrichs (2015) also points out the existence of different cognitive processes before and after starting a business.

The literature shows that propensity for risk is one of the main personal attributes of the individual entrepreneur. This belief finds support in theories of personal traits, whose main proponent is McClelland (1961). But in spite of the wide diffusion of this vision, the research results indicate a broader picture still marked by contradictions. The work on risk propensity that became a reference, and one of the most consulted, was that of Brochhaus (1980). Using Kogan-Wallach’s choice dilemmas questionnaire, the author concluded that risk propensity might not be a specific characteristic of entrepreneurs. In contrast, Carland, Carland, and Pearce (1995) compared entrepreneurs, managers, and small business owners and concluded that entrepreneurs possess a greater propensity for risk.

The results of the meta-analysis study by Stewart and Roth (2001) are in line with Carland, Carland, and Pearce’s (1995) findings, suggesting that entrepreneurs’ risk propensity is greater than that of managers/bosses. In addition, the results revealed differences between entrepreneurs: the risk propensity of entrepreneurs who focus on business growth as their main objective is higher than those focused on generating family income as their main business objective.

In comparing Brazilian and Portuguese entrepreneurs, the research carried out by Silva, Gomes, and Correia (2009) showed that although Brazilians reject uncertainties more, they present higher risk propensity than the Portuguese. The propensity was measured by the ability to “make decisions and take actions without the sure knowledge of results” (p. 69). Because risk propensity and aversion to uncertainty are correlated concepts, the cross-reading of these results reveals how much of the perceived uncertainty the entrepreneur accepts and exposes him/herself to (calculated risk), in exchange for a return.

In addition to risk management, business success among potential entrepreneurs or experienced entrepreneurs also depends on planning, as both can influence market analysis, return on investment, experimentation, and flexibility (Sarasvathy, 2001). Risk management and planning are little-explored concepts in research on entrepreneurship in Brazil. The international literature advances a little further in the discussion of planning, by following Sarasvathy’s (2001) promising path, or by embracing traditional approaches to planning, which reduce it to the preparation of business plans, especially in entrepreneurship training programs.

The research whose results are presented in this article began from the premise that risk management, the motivations for an entrepreneurial career, and business planning are important variables for understanding entrepreneurship. It also supposed that studying these variables by comparing groups of potential entrepreneurs and experienced entrepreneurs, in the university context, would help to identify differences between these groups. Studies indicate that young people are the main actors of entrepreneurship in Brazil (Global Entrepreneurship Monitor - GEM, 2015). In addition, the present study goes further as it fills a theoretical gap in the interpretation of the weight of little-explored individual variables (planning, risk management) in the entrepreneurial actions (Salusse & Andreassi, 2016) of university students, who are already entrepreneurs or who reveal their intention to become entrepreneurs. In the practical context, the study contributes to the generation of recommendations for better practices and policies – including public policies – aimed at improving competencies and resources of higher education institutions to better prepare future professionals, especially those who will take on some kind of entrepreneurial initiative.

Theoretical support

Motivations guiding students’ entrepreneurial careers

The motivations for starting a business have been related to economic factors (Schumpeter, 2002), the search for opportunities in the competitive market (Shane & Venkataraman, 2000), the lack of, or dissatisfaction with, job opportunities (Kautonen & Palmroos, 2010), and even to the need for self-actualization (McClelland, 1965). Although McClelland’s model predicts other types of motivations such as the need for affiliation and power, various empirical studies (Barba-Sánchez & Atienza-Sahuoquillo, 2012; Sivarajah & Achchuthan, 2013) point out that the need for achievement is the strongest among those in their models.

The need for achievement can be defined as a pattern of motivation that reveals self-confidence, great initiative, guided by clearly established goals, assuming moderate responsibilities and risks, and favoring situations that can provide feedback for performance improvement (McClelland, 1961). Such characteristics are strongly associated with the entrepreneurial profile (Aschuler, 1967). A few years later, McClelland (1965)
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