Is Entrepreneurship Education Really Needed? : Examining the Antecedent of Entrepreneurial Career Intention

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Abstract

Entrepreneurship activities are believed to be a tool to boost economy growth and to solve other economy problem such as unemployment. Analyzing data from World Bank and Indonesia Statistics Central Body, that shows the increasing number and growth of graduate unemployment, entrepreneurship might be a solution. Therefore, we have to find ways to create new entrepreneurs, right after or even before they graduated. In other word we have to produce more graduate entrepreneur and entrepreneurship education may have role in promoting entrepreneurial intention among students.

This article will give the explanation on graduate unemployment phenomenon in Indonesia and its relationship to entrepreneurship and also conceptual framework to examine the antecedent of entrepreneurial career intention that will lead to the understanding of the role of entrepreneurship education

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Selection and peer-review under responsibility of The 5th Indonesia International Conference on Innovation, Entrepreneurship, and Small Business.

Keywords : entrepreneurial education, entrepreneurial intention, theory of planned behavior

1. Introduction

The term “entrepreneurship” nowadays become everyday buzzword, since everybody talks about it, either in macro context or even individual context. In macro context, it is believed as an enabler of economy growth and
other economy indicator (see Bernstein 2011. Engle, 2010, Packham et al., 2010, Respati and Astuti, 2009). Countries are increasingly realizing the significance of entrepreneurship and adopting it as a mean to boost employment and economic development. Research conducted by Asia Pacific Economic Cooperation Council, reveal that members of APEC that have good performance are whose entrepreneurs ratio that is bigger than the rest of members (Deputy of SME resources research, Ministry of Cooperative and small and medium enterprise and LPPM UNY, 2004).

The global entrepreneurship monitor (GEM) 2011 global report finds an increase in entrepreneurship around the world – entrepreneurs are now numbering near 400 million in 54 countries—with millions of new hires and job creation expectation in the coming years. GEM estimates that, of the entrepreneurs engaged in starting and running new business in 2011, 165 million early-stage entrepreneurs are young entrepreneurs (age 18 to 25). In many developing economies, there is a tendency toward younger entrepreneurs.

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Those numbers give promising trend of entrepreneurial activity. Unfortunately, not in Indonesia. According to Deputy of human resources development, Ministry of Cooperative and small and medium enterprise, Agus Muharram, numbers of entrepreneurs in Indonesia, in January 2012, only reach 1.56% of total population. The data has been generated by Deputy of research, Ministry of Cooperative and small and medium enterprise, based on criterion developed by Statistics Centre Bureau (www.bisnis.com, 4th march 2012). Total numbers of entrepreneurs based on the data are 55.53 million. The numbers includes both formal and informal enterprise, with informal enterprise reach or approximately 92% of it. In 2011, total number of entrepreneurs are only 52.72 million (www.bisnis-jateng.com, 9th August 2011). Although there is increasing in number of entrepreneurs, it is still not enough to meet the minimum ideal number of 2% and to race other countries, such as United states (11%), Singapore (7%) or even Malaysia with 5% of entrepreneurs (www.kompas.com, 27th February 2011). With number of Indonesian population is 237 million people, we still need another 4.7 million new entrepreneurs every year to reach the figure of 2% minimum of entrepreneurs numbers (Respati & Astuti, 2009).

Beside its impact to economic growth, entrepreneurial activities is related to job creation (see Teixeira and Forte, 2009, GEM, 2005 in Engle, 2010). In order to reduce the graduate unemployment rate that increasing firmly in the last five years in several developing country such as Malaysia (Kamariah et al. ; Salmah in Norasmah Hj Othman & Salmah binti Ishak, 2010), Srilanka (Trikawala, 2011), Indonesia and other ASEAN Countries, entrepreneurship is considered as a key of solution to the ever growing problem of unemployment among graduates in those countries (Dev & Mahajan in Thrikawala, 2011; Kamariah et al. ; Salmah in Norasmah Hj Othman & Salmah binti Ishak, 2010) and in other countries (Gird & Bagraim, 2008).

In most countries in Asia, there is an increasing trend of graduate unemployment rate as some of them illustrate in figure 1. Especially in Indonesia, there is sporadic increasing rate within steady increasing trend (see figure 1, 2 and 3).
Figure 1. Comparation of graduate unemployment rate 2003-2008
(Sources: Adopted from data released by World Bank)

Figure 2. Number of Graduate employment in Indonesia 2007-2011
(Sources: adopted from data released by Indonesia Statistics Central Body)
Since entrepreneurship is believed as a solution to solve graduate unemployment problem, therefore we have to find ways to create new entrepreneurs, right after or even before they graduate. In other words, we have to produce more graduate entrepreneur and in order to do that, higher education in general and entrepreneurship education in particular may help to promote entrepreneurial activity among students (Nabi and Linan, 2011).

Research seems to suggest that “individuals attending entrepreneurship courses have a higher tendency to start their own businesses at some point in their career than those attending other courses” (Jaafar and Abdul Aziz, 2008). The tendency might come from experience or knowledge they received during the course that emerge their interest on entrepreneurship (Ismail et al., 2009).

This article aims to explain the theoretical framework to support the idea of the entrepreneurial education importance in generate the entrepreneurial career intention.

2. Entrepreneurial Career Intention

Although there are many scholars that have mention the term ‘entrepreneurial career’ either as a construct or just to support other construct, most of them do not define the term explicitly (see Lee, Wong, Foo & Leung, 2011; Lau, 2002; Ahmed et al., 2010). According to Farrington, Gray and Sharp (2011), an entrepreneurial career refers to “owning and managing one’s own small business”. While Moy, Luk and Wright (2003) cited Bird (1989) that describes an entrepreneurial career as the “process of deciding to begin and to continue operating as an entrepreneur”.

When discuss about the career of entrepreneurs, we have to aware that it is different with traditional career in the organization (Lau, 2002). Since the traditional definition of career is about advancement or lifelong sequences of jobs, it seems not appropriate, because entrepreneurs do not have any promotions. It looks more appropriate to define career as lifelong sequences of role-related.

Given the increasing importance of entrepreneurship in contemporary careers (Gelderen et al., 2008), it is important to uncover the determinants of entrepreneurial intentions. Bird (1988) is one of scholars that most cited in term definition of intention. She states: “Intentionality is a state of mind directing a person’s attention (and therefore experience and action) toward a specific object (goal) or a path in order to achieve something (means)”. Wu and Wu (2008) consider Entrepreneurial intention as a state of mind in term of starting new venture.

Eventhough many scholars use the term ‘entrepreneurial intention’, it is considered not enough to explain the intention to choose entrepreneurship as a career. Therefore, this research use ‘entrepreneurial career intention’ instead of ‘entrepreneurial intention’ construct. There is very limited sources that give complete definition of
‘entrepreneurial career intention. One of those is Mhango (2006) that defined entrepreneurial career intention as an intention to study and pursue a business career path.

Synthesizing from all scholars opinion cited above, this research use definition of entrepreneurial career intention as “a state of mind that people wish to create their own business and to act different roles in running their own business and to engage to entrepreneurial activities needed, during the period of his/her working life.”

3. Theory of Planned Behavior

There are numerous approaches to the study of entrepreneurial intention (Wu and Wu, 2008). A common theoretical framework for explaining pre-start up processes is the theory of planned behaviour (TPB) from Ajzen that views behavioural intent as an immediate determinant of planned behaviour (Schwarz et al., 2009). TPB is a model that is useful to explain the entrepreneurial intention (Krueger et al., 2000 in Wu and Wu, 2008; Gird & Bagraim, 2008).

According to the TPB, entrepreneurship, which is planned behavior, can be predicted by the intention (Miller et al., 2009). Other scholar belief TPB also relevant with carrer choice process (Farrington, Gary & Sharp, 2011; Autio, et al. 1997; Linan, 2008) Ajzen’s (1991) model as noted by Engle (2010), consist of (1) attitude or desire toward proposed behavior; (2) social and subjective norms which take into account other people’s opinions (especially opinions of influential persons) of the proposed behaviour; and (3) perceived control or feasibility of the proposed behaviour. In general, the more favorable the attitude towards the behaviour, the stronger should be the individual’s intention to perform it. Figure 4. presents Ajzen’s (1991) theory model.

4. Discussion

Schwarz et.al (2009) has cited many scholars that their research support the idea that entrepreneurial intent is a primary predictor of entrepreneurial behavior. It is because the intentions empirically are the best predictors of behaviour (Krueger, Reilly and Carsrud, 2000). Therefore, examine further what factors determine the entrepreneurial intent is an important issue in entrepreneurship research.

Intentions are best predictor of such behaviour, both conceptually and empirically (Krueger and Carsrud, 1993). Entrepreneurship can be viewed as the type of planned behaviour, for which intention models are appropriate (Autio et al., 1997; Krueger et al., 2000 in Schwarz, 2009). Ajzen’s intentions-centred ‘theory of planned behaviour’ is parsimonious, well grounded in theory and robustly predicts a wide variety of planned behaviours. Many empirical studies have supported the validity of this model. Ajzen’s model has been reported to
be a highly effective predictor of behavior in several studies, with strong correlation coefficient (Engle et al., 2010). Additionally, Autio et al., 2001 reported that the international comparisons indicate a good robustness of the model.

Although the theory of planned behavior is already acknowledged as well and robust theory, there is still a chance to add some variables that may be influencing the model. The intent to become self-employed does not depend exclusively on students’ attitudes connected with entrepreneurship. Due to the fact that individuals do not exist and do not act in isolation, they also take environmental conditions into account in their decision-making processes (Schwarz, 2009). Lu’thie and Franke (2003) demonstrate that the student’s entrepreneurial intent is also directly affected by perceived entrepreneurship-related barriers and support factors. Bakotic and Kruzic (2010) add education as one environmental support variable that can influence entrepreneurial attitude and intention so does Hynes and Richardson (2007) in Schwarz (2009).

Entrepreneurial education is the process of providing individuals with the ability to recognize commercial opportunities and the insight, self-esteem, knowledge and skills to act on them. It includes instruction in opportunity recognition, commercializing a concept, marshalling resources in the face of risk, and initiating a business venture (Jones & English, 2004). Entrepreneurship education must be defined as structured formal intervention (see Young, 1997 in Wu and Wu, 2008; Isaac, Visser, Friedrich and Brijila, 2007 in Ekpoh and Edet, 2011; Bechard and Toulouse, 1998 in Jaafar and Abdul Aziz, 2008) designed by higher education institutions, otherwise it is become informal learning that can be pursued without formal education or training institutions.

According to Vasquez, et al. (2011) many authors agree on the adoption of a wide concept of entrepreneurship education, derived from the combination of organized teaching and institutional support. Instead to limit it only as single entrepreneurship course, entrepreneurship education consist of various courses (see Bernstein, 2011; McMullan et al., 1985 in Solomon, 2007) in order to develop entrepreneurship competencies comprehensively (Jones and English, 2004; Kourilsky, 2005 in Hynes and Richardson, 2007; Heinonen and Pikkijoki, 2006; Katza, 2007, Markman, 2007 in Miller et al., 2009; Young, 1997 in Wu and Wu, 2008; Hindle, 2007 in Fayolle and Gailly, 2008; Bernstein, 2011; McMullan et al., 1985 in Solomon, 2007). It is also not limited to the major or concentration of entrepreneurship (see Bechard and Toulouse, 1998 in Jaafar and Abdul Aziz, 2008).

Scholars believe that the choice of entrepreneurial career chosen by individuals is affected by various “push” and “pull” factors that determine and shape their career choice (Matlay and Storey, 2003 in Matlay, 2008). This is the role of entrepreneurship education which it can help students to consider starting business as one of career alternatives, and develop positive attitudes towards entrepreneurship (Matley and Mitra, 2002 in Fayolle and Gailly, 2008). Knight (1987) predicted that entrepreneurship education provided in business schools would results more graduate become an entrepreneurs (Matlay, 2005). Other scholars also have the same confident.

It is commonly acknowledged in the literature that entrepreneurship knowledge and skills can be taught and developed in the appropriate environment (Packham et al., 2010). There is a close relationship between learning and entrepreneurial achievement (Rae and Carswell; Kuratko and Hodgetts; Van Vuuren; Gibb, in Sarri, Bakourus & Petridou, 2010). In terms of intention, Mushtaq et al. (2011) reported that all variables, including education in their study are significantly correlated with intention to create new venture, as well as the research finding of Turker and SelcuK (2009). Furthermore, research has also suggest that there are significant differences between students who participate in entrepreneurship education in terms of intention (Noel in Packham et al., 2010). According to Kolvereid and Moen (1997), students who have taken a course or major in entrepreneurship have shown greater interest in choosing entrepreneurship as their career (Cheng, Chan, and Mahmood, 2009). This premise also supported by Kolvereid and Moen (1997). Students with business majors (a) rated themselves as more entrepreneurial, (b) were more likely to want to start their own business, (c) felt that entrepreneurial skills were part of their curriculum, (d) felt there was more university stimulation, and (e) were significantly more likely to say they are interested in taking an entrepreneurship course (Shinnar et al., 2009).

Entrepreneurship education could have a positive impact on attitudes towards entrepreneurship (Packham et al., 2010). The results of study conducted by Packham et al. (2010) supported the premise that entrepreneurship education is a mechanism through which students can evaluate their career plan (Jack and Anderson, 1999 and Solomon et al., 2002 cited in Packham et al., 2010). Research shows that entrepreneurial attitudes and skills can be developed and refined in entrepreneurship education programs (Harris and Gibson, 2008) A more thorough understanding of students’ entrepreneurial attitudes can also be used to develop more relevant education programs, particularly in regards to entrepreneurship education. Therefore, entrepreneurial attitudes may be influenced by
educators and practitioners. Since the entrepreneurial process is experiential in nature, it is possible to study the influence of past experiences on an individual’s understanding of entrepreneurship (Harris and Gibson, 2008). Gatewood et al. (2002) in Harris and Gibson (2008) find that individuals who is receiving positive feedback about their entrepreneurial abilities had higher entrepreneurial expectations. Research conducted by Zainuddin and Mohd Rejab (2010) found that student believed that entrepreneurship education contributes to increasing entrepreneurial self-efficacy and subsequently towards their self-employment intention. Finding of study conducted by Vasquez, et.al (2011) shows that undergraduates’ entrepreneurial self-efficacy seems to be mainly enacted by learning experiences of entrepreneurship knowledge and support to business start-up at the university.

According to Wu and Wu (2008), echoed West and Hore (1989), the potential impacts of higher education on students include three aspects: the first is about their personal development, including changes in attitudes and values; the second is to do with changes in their abilities; and the third with with possible social impacts. These aspects are consistent with the components of the TPB model. Many other literatures (Lee and Wong, 2004; Linan and Chen, 2006) show that “antecedents” in the TPB model are affected by situational factors and demographic variables. Among them, educational background is one of the most important factors.

Based on rationalization above, therefore, we can predict that (i) students who perceive entrepreneurship-education positively are more likely to have positive attitudes toward entrepreneurship, (ii) students who perceive entrepreneurship-education positively are more likely to have positive subjective norms, and (iii) students who perceive entrepreneurship-education positively are more likely to have higher perceived behaviour control, and those lead to entrepreneurial career intention of students.

5. Conclusion and further suggestion

Many research finding has suggested that entrepreneurship education is important in order to emerge the intention of the student to start the business. This article has explained the role of entrepreneurship education in creating entrepreneurial intention among student conceptually. This predictive model should be validated by empirical research. Future research should examine further about the type of entrepreneurship education that can contribute to the impact towards entrepreneurial career intention

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