

Influence of Personality Traits and Socio-demographic Background of Undergraduate Students on Motivation for Entrepreneurial Career : The Case of Sri Lanka*

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Key words : Entrepreneurial intention, Personality traits, Demographic factors, Attitude toward entrepreneurship, Sri Lanka

Abstract

This study explored the relationship existing between personality traits and socio-demographic background of business management undergraduates toward an entrepreneurial career (self employment) intention. Data were collected from 107 business management undergraduates at the University of Colombo. The respondents were assessed on three personality traits (risk taking propensity, internal locus of control and need for achievement), and three socio-demographic factors which are related to their personal background (Parents' occupation, gender and previous self employment experience). The results revealed that there is a significant relationship between personality traits and entrepreneurial attitude. At the same time, they show that male students have more entrepreneurial motivation than female students. However, the contribution of other background factors (parents' occupations and self employment experience) for developing entrepreneurial intention among the business students is relatively low. This study provides insight into entrepreneurship education and training, as to which personality characteristics can be developed to raise potential entrepreneurs in Sri Lankan context.

1. Introduction

Entrepreneurship is a key factor for economic development. Public, private and non-governmental organizations are taking various measures to promote entrepreneurship in different countries. Universities and colleagues throughout the world have implemented various Postgraduate, Undergraduate and Diploma courses on small business management

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and entrepreneurship. In a developing country like Sri Lanka, the role of entrepreneurship development is more important than that in developed countries so far as the creation of self-employment opportunities and reduction of unemployment situations are concerned. After independence gained 1948, each successive governments of Sri Lanka have followed two different ideologies : one party, which believed in free economic system ; and another in a relatively controlled economy. Sri Lankan economy is now moving on to more free enterprising system. The earlier economy mainly depended on agricultural sector and it has now been changed. Industrial sector and service sectors are emerging. Sri Lanka is a developing country which consists of much unused resources but has not yet reached the desired growth rate of 8 percent or more though the economy had shown some resilience to adverse economic and political conditions throughout the past decade. The life expectancy at birth is 73 years and literacy rate which is 91.4% is the second highest in Asia. A system of social benefits that included cheap staple foods and free schooling and medical services helped to produce a healthy, literate populace. Inequality was kept relatively low, and despite low income levels, the worst manifestations of poverty (premature death, malnutrition, illiteracy) were avoided to a remarkable degree (Parkins *et al*, 2001). The trouble is economic growth which is too slow to provide either adequate financing for the welfare system or employment for the growing labor force, especially for the educated youths seeking white-collar jobs. Rama (2003) noted that the bulk of the unemployed youth in Sri Lanka is relatively educated individuals who live with their parents and benefit from family support to perform an extended job search. The goal of this search is not merely to find a job but a relatively good job, either in the public or in private sector where the activities characterized by substantial protection, stemming from product and labor market regulations. According to the national youth survey data (2000), 27 percent of the unemployed youth expect self employments.

In parallel with developing interest in entrepreneurship throughout the world, Sri Lanka has also witnessed an increasing interest in entrepreneurship fields both among her academic scholars, and among government policy makers and business leaders. In course of time, some universities and vocational training institutes in Sri Lanka had incorporated Entrepreneurship and Small Business Management in to their course curriculum so as to provide necessary exposure for students to entrepreneurial and industrial climate of the country. While the literature on entrepreneurship in Sri Lanka is growing, no study has so far tried to explain relative contribution of personality factors and socio-demographic background factors for entrepreneurial career. The Global Entrepreneurship Monitor (GEM) publishes the entrepreneurial activity related data for 43 countries, which is the largest

single study of entrepreneurial activity in the world. India is the only country included from south Asian region for that study. Therefore, studying entrepreneurial intention of business undergraduates from south Asian developing country like Sri Lanka is important for literature on entrepreneurship development in Asia.

2. Literature Review

According to the prevailing literature, entrepreneurial behavior of any society is determined by different factors. These are social, personality and environmental factors (Gurol and Atsan, 2006). Social factors or demographic factors examine the personal background, family background, gender and the early experiences of entrepreneurs and potential entrepreneurs, while the environmental factor model looks at the contextual factors such as the value of wealth, tax reduction and indirect benefits, timing opportunities in career process and the impact of market condition. Personality factors, widely known as trait model, focus on personality characteristics of entrepreneurs. Trait model rests on the assumption that entrepreneurs possess certain inherent characteristics, values and attitudes that provide an impetus for them and distinguish them from others.

2.1. Personality Traits and Socio-demographic Background

A number of personality traits, such as risk-taking propensity (Hisrich and Peters 1995), the need for achievement (Johnson 1990), and locus of control (Bonnett and Fuhrmann 1991), have been discussed as factors affecting people's aspirations to start their own firms.

(1) *Need for achievement*

McClelland's need for achievement theory (1961) highly emphasized that need for achievement is one of the strongest psychological factors influencing entrepreneurial behavior. It is believed that individuals with a high need for achievement has a strong desire to be successful and are consequently more likely to behave entrepreneurially. Individuals who have a strong need to achievement want to solve problems themselves, set targets and strive for these targets through their own efforts, demonstrate a higher performance in challenging tasks and are innovative in the sense in looking for new and better ways to improve their performance (Littunen, 2000 ; Utsch and Rauch, 2000).

(2) *Risk taking propensity*

A person's risk-taking propensity can be defined as his/her orientation towards taking chances in uncertain decision-making contexts. According to Cantillion (1775) the main

factor in differentiating the entrepreneurs from employed workers was the uncertainty and risk taken by the former. It is believed that entrepreneurs prefer to take moderate risks in situations where they have some degree of control or skill in realizing a profit.

(3) *Locus of control*

Another personality trait is locus of control. While individuals with an internal locus of control believe that they are able to control life's events, individuals with an external locus of control believe that life's events are the result of external factors, such as chance, luck or fate. The empirical evidence shows that small business entrepreneurs are more oriented at the internal level, than the population in general (Beverland and Locksin, 2001).

The 'socio-demographic background' means person's social background and earlier experiences. Shapero and Skol (1982) have revealed that the family, particularly, the father or mother, plays the most powerful role in establishing the desirability and credibility of entrepreneurial actions. Matthews and Moser (1995) [as cited Kolvereid 1996] found a statistically significant relationship between small business work experience and interest in owning a small firm. Compared to other types of work experience, past entrepreneurial experience may be more important for entrepreneurial success (Sandberg & Hofer, 1987 ; Vesper, 1990) and for interest in an entrepreneurial career.

Scott and Twomey (1988) found that respondents whose parents owned a small business showed the highest preference for self employment and the lowest preference for organizational employment. Tkachev and kolvereld (1999) studied 552 students in Russian context ; examined the relationship between demographic variables and entrepreneurial intention and discovered that family background and gender were not contributed for entrepreneurial motivation but self—employment experience have marginally supported. Kolvereid and Moen (1997) explored the effect of entrepreneurship education by comparing the behavior of business graduates with a major in entrepreneurship and graduates with other majors from a Norwegian business school. The result indicated that graduate with an entrepreneurship major are more likely to start new businesses and have stronger entrepreneurial intentions than other graduates.

3. Entrepreneurial Intention

Behavioral intention is a necessary process before taking any action. Number of researchers has indicated that intention has better explanation ability than other factors. Katz and Gartner (1988) define entrepreneurial intention as the search for information that

can be used to help fulfill the goal of venture creation. It is a driving force of the entrepreneurial activity. Researchers in entrepreneurial intention make inquiry into why some people choose to be self-employed or start their own businesses while others prefer organizational employments. Kolvareid (1996) examined the employment status choice intentions of the Norwegian business students and revealed that approximately 43% preferred a career as self-employed, however, only 7% of all respondents estimated the chance to become entrepreneurs to be 75% or higher. Thus, based on the preceding review of the literature and the research questions posted in this study, it is proposed that the conceptual framework for this study is as follows.

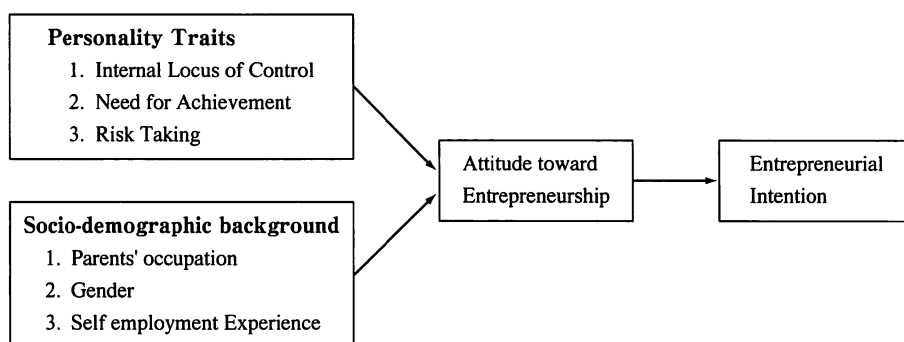


Figure 01 : Conceptual frame work

In this study three personality characteristics and three socio-demographic factors were used to define the entrepreneurial motivation of University students. Need for achievement, locus of control and risk taking propensity were considered as personality characteristics. These characteristics were chosen since they are frequently cited in different studies in the entrepreneurship literature. Socio demographic factors include family background, gender and self employment experience.

4. Hypotheses

1. Individuals with high internal locus of control, high need for achievement, and high risk taking ability are more likely to have positive attitude toward entrepreneurship
2. Individuals whose father or mother is an entrepreneur are more likely to have positive attitude towards entrepreneurship
3. Male students have strong attitude towards entrepreneurship.
4. Individuals with previous self employment experiences are more likely to have positive attitude toward entrepreneurship.

5. Research Methodology

This study aims to analyze the entrepreneurial characteristics of university students on the basis of data collected in early 2008. The researcher assumed that certain entrepreneurial characteristics and their socio-demographic background motivate persons to become entrepreneurs. A structured questionnaire was designed to gather the data required for this research. The research instrument was structured into two parts. The first part included socio-demographic variables (personal background of the respondents) and entrepreneurial intention measures while the second part included variables to measure need for achievement, risk taking propensity and locus of control.

5.1. Socio-demographic Background and Personality Traits.

The survey included items inquiring about the age, gender, and work experience. Gender was coded 1 for male and 2 for female. A dichotomous item asked whether one or both of the parents' owned their own full time business. Responses were coded 0 for no and 1 for yes.

Personality traits were measured by using 21 items with five items for internal locus of control, three items for risk taking propensity, five items for need for achievement. Respondents were asked to indicate their degree of agreement or disagreement with each given statement on a five point Likert scale (Refer appendix 2). Some statements were reverse-coded and intermingled with other statements to minimize response set bias. Each of the three scales was subjected to reliability testing shown in the table two. For all the scales, responses coded in a way that higher scores mean higher need for achievement, more internal locus of control, and higher risk taking propensity.

5.2. Attitude toward Entrepreneurship and Entrepreneurial Intention

The three items used by Luethje and Franke (2003) to measure entrepreneurial attitude were used to measure the attitude toward entrepreneurship (Appendix 1). Entrepreneurial intention has been measured by different researchers in different studies. For this scale the researcher used three items to measure entrepreneurial intention of the undergraduate students. Originally these statements have been used by Autio (2001) to measure entrepreneurial intentions of Russian students.

- 1 'If you could choose between being self-employed and being employed by someone, what would you prefer ? (1 = would prefer to be self-employed, 5 = would prefer to be

employed by someone).

2 'How likely is it that you will choose a career as self-employed ? (1 = Unlikely, 5 = Likely).

3 'How likely is it that you would choose a career as employed ? (1 = Unlikely, 5 = Likely).

By adding the scores on these three items (after re-coding questions 1 and 3 : 1=5, 2=4, 3=3, etc.), the researcher constructed an index to measure entrepreneurial intention of undergraduate students (Cronbach α = 0.73). In this index, a high score indicates preference for self-employment, while a low score indicates a preference for organizational employment.

5.3. Sampling Design and Data Collection Procedure

Data was collected from university students who were following the Bachelor of Business Administration degree at the University of Colombo. Two hundred and fifty two students were following entrepreneurship and small business management module as a fifth semester subject. The researcher has selected 150 students randomly from the student registration list of the above module. Questionnaires were distributed among them and 107 were found to be usable. The average age of the sample was 23 years ; 62.6 percent were female. The sample contained students in their fourth year of studies. The questionnaire used in this study was first designed in English, slightly modified and then carefully translated in to Sinhala language (native language). The translation was pre-tested with business students at the University of Colombo and proved to be both comprehensible and clear. In order to secure a high response rate and to monitor respondents while they answered the questionnaire, the author was present during the data collection process.

6. Research Findings

6.1. Descriptive Statistics of Sample and Variables

Average age of the respondents was 23 years. One question of the questionnaire was used to understand the career expectation of the respondents. Out of the respondents 76% of the respondent was expecting to work under someone else (Salaried employment) and 9.6% of the respondents were expecting to start their own business after their graduation. While 6.5% of the respondents were undecided about their career intentions, 4.7% were already engaged in organizational employments and they preferred to continue those careers. The researcher asked about the likelihood that they ever would become self-

Table 1 : Descriptive statistics

	Mean	SD
Entrepreneurial intention	2.46	1.03
Age	22.84	0.85
Need for achievement	4.35	0.42
Risk taking propensity	3.61	0.78
Internal locus of control	3.85	0.53
Socio-demographic factors	Percentage	
Self employed father	45.8%	—
Self employment mother	12.1%	—
Self employment experience	14%	—

employed, the following estimates were obtained : 46.7% estimated the chance to be less than 50%, 30.8% answered 50-70%, and the remaining 22.2% estimated the chance to be 75% or higher. In order to find out the contribution of family background for entrepreneurial motivation, one of the questions directed at the occupations of their parents. As shown in table 1, 45.8 percent of the respondents had fathers who are occupied with independent businesses. 12 percent had mothers engaged in self employment. This finding is notable since family background of Sri Lankan students has not influenced for preference of entrepreneurial career. Only 5 percent of the respondents were preferred for entrepreneurial career by following their entrepreneurial parents. Through reliability analysis of the questionnaire, inappropriate items were excluded (see Table 2). The Cronbach's alpha of the constructs relating to independent and dependent variables are exceeding the 0.60 cut-off value for reliability consistency.

Table 2 : Reliability analysis of entrepreneurial intention model

Construct	Cronbach's alpha
Risk taking propensity	0.62
Locus of control	0.64
Need for achievement	0.63
Entrepreneurial attitude	0.80
Entrepreneurial intention	0.73

Correlations for all variables are reported in table 3. Looking at the correlations between entrepreneurial attitude and the other variables, the strongest relationship is with the gender ($r=0.33$, $P<.01$). Significant correlations also were obtained between entrepreneurial attitude and risk taking propensity ($r=0.31$, $P<.01$) and need for achievement ($r=0.30$, $P<.01$) respectively. In addition to that, there is strong correlation between entrepreneurial attitude and entrepreneurial intention ($r=0.636$, $P<.01$).

Table 3 : Correlations of dependent and independent variables

	1	2	3	4	5	6	7	8
Independent variables								
1. Gender								
2. Self employed father	0.159							
3. Self employed mother	0.067	0.104						
4. Self employment experience	0.189	0.190	0.015					
5. Risk taking propensity	0.246*	0.039	0.039	0.133				
6. Locus of control	0.172	-0.100	0.042	0.117	0.247*			
7. Need for achievement	0.117	0.093	-0.052	-0.017	0.383**	0.430		
Dependent variables								
8. Entrepreneurial Attitude	0.333**	0.125	-.050	0.133	0.315**	0.135	0.306**	
9. Entrepreneurial Intention	0.223*	0.139	0.037	0.186	0.247*	0.065	0.169	0.636**

N=107

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

Based on the results shown in Table 3, *H1* was accepted, which means individuals with high internal locus of control, high need for achievement and risk taking propensity are more likely to have positive attitude toward entrepreneurship. Though Correlation between internal locus of control and entrepreneurial attitude is positive it is not significant. The relationship between both two variables may be moderate. *H2* was not accepted, which means individuals whose father or mother is an entrepreneur were not more likely to have positive attitude towards entrepreneurship. This finding is contrasting with previous studies. In western countries, entrepreneurial parents are considered as role models and children will imitate their entrepreneurial parents. The relationship between self employed mother and entrepreneurial attitude is negative but not significant. *H3* was accepted, which means male students have strong attitude towards entrepreneurship than female students. *H4* was not accepted, which means there was not a strong relationship between self employment experience and entrepreneurial attitude of the Sri Lankan business students.

7. Conclusion and Policy Implications

The result of the present study indicates that several personality and personal socio-demographic factors are associated with entrepreneurial attitude of business management undergraduates. Students with high entrepreneurial attitude tended to be male rather than female. The family background and previous self employment experience may be slightly contributed for forming positive attitude toward entrepreneurship. The relationship is not significant. Some of the students are running small businesses, while they are studying.

After graduation they also expect organizational employments rather than entrepreneurial career. According to the World Bank report (2008), starting and running business in Sri Lanka is not easy. The ease of doing business index ranks economies from 1 to 178 and Sri Lanka was ranked on 101. For starting a business in Sri Lanka, an entrepreneur has to takes 5 procedures and 39 days and it cost 8.5 times the annual income per capita. In addition to that Sri Lankan entrepreneurs have to take 22 procedures and 214 days to dealing with required licenses. The government should take measures to simplifying the procedures and cut the time needed to establish businesses. Most of the parents are involved in self employment, reluctant to motivate their children for an entrepreneurial career.

The study explored three personality characteristics ; need for achievement, internal locus of control and risk taking propensity. As shown in table 3, need for achievement and risk taking propensity are highly contributed for developing positive attitude toward entrepreneurship but the relationship between internal locus control and entrepreneurial attitude is not significant.

The number of students who intended to be entrepreneurs was fairly limited (9.6 percent of the respondents). The economic, social and political instability in Sri Lanka may lead people to prefer salaried jobs in public or private sector instead of running their own businesses. Lack of sufficient incentives toward entrepreneurship and lack of sound entrepreneurship education hamper the development of any entrepreneurial vision of individuals (Gurol and Atsan, 2006). According to Nanayakara, (1999) Sri Lankan education system aims to prepare students for government employment. It encourages individual dependency and generates lack of self confidence for engaging in self employment or challenging job opportunities. In addition to that, the society has not yet shown a positive attitude toward the entrepreneurship. The researcher suggests educators, policy makers, and others wishing to enhance entrepreneurial activity should focus first on developing selected personality characteristics among the potential entrepreneurs.

The present research has several limitations. First, this survey was carried out on a relatively small sample of Sri Lankan business management undergraduate students. Although there is a number of personality characteristics and socio-demographic factors that may be influenced on entrepreneurial motivation this study has focused only few factors.

The present survey opens several possibilities for future research. The present study can be replicated in a more comprehensive fashion, covering more students and universities. Furthermore, the question of whether students in business colleges and technical colleges differ in terms of entrepreneurial attitude and intention could be an interesting topic

for future research.

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Appendix 1.

Entrepreneurial Attitude Scale

- I'd rather be my own boss than have a secure job
- You can only make big money if you are self employed
- I'd rather found a new company than be the manager of an existing one

Appendix 2.

Personality Traits

Sample of Items Used

Category	Items	Alpha
Internal Locus of Control	I often feel "That" just what the things are and there nothing I can do about it. When everything goes right, I think that it mostly luck. My life is determined by my own actions	0.64
Need for Achievement	I want to be successful I go straight for the goal Try to perform better than Friends (Peers)	0.63
Risk Taking	When I travel I tend to use new routes I like try to new things (eg : going to new places) I'm willing to take substantial risks for substantial returns.	0.62

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