

## **A conceptual model on determinants of entrepreneurial intention within newly established firm**

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### **Abstract**

Entrepreneurial intention plays an important role in entrepreneurship based on theory as well as practice. However, little is known about the intentions of entrepreneurs in the in newly established firm. This paper aims to formulate well-organized model of determinants of entrepreneurial intention. The paper presents an integrated model which discussed the determinant factors influencing the entrepreneurial intention. The finding of various studies previously can shape the newly established firm to see clearly on how strong the intentional determinants towards entrepreneurship.

**Keywords** Entrepreneurial intention, theory of planned behaviour, entrepreneurial event model.

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### **INTRODUCTION**

Recently, entrepreneurship has been awarded with great dedication because of its importance in economic growth, job creation, sources of productivity and innovation (Farrukh, Lee, Sajid, & Waheed, 2019) . Thus, developing countries are encouraging those interested in this field to participate in entrepreneurship and consider entrepreneurship as a career choice. Entrepreneurship is important for economic progress and employment as well as solution to the excessive number of people and social problems that already exist. Limited research on this issue remains, although entrepreneurship is essential for economic development and growth (Fayolle

and Linan, 2013; Karimi et al., 2014; Sylvia Nabila Azwa Ambad and Dayang Haryani Diana Ag Damit, 2016). In this regard, most studies have agreed that the intention of entrepreneurship can be influencing the newly established firm.

The stage of forming a pre-work project is very important, so the focus of this research is to explore on the state of intent of a potential entrepreneur towards a business, emphasizing that the greater the intent the greater the likelihood or the presence of entrepreneurial activities (Pottsaris and Famvaka, 2016). Recent research suggests that intention-based models are important because they include a theory-based and process-oriented perspective to explain precursors to entrepreneurial intentions. In relation to an established firm, it determined by the ability to engross in entrepreneurial behaviours to obtain a great attention from management, reflecting arising interest in the creation of conditions triggering and supporting entrepreneurial action within firms. Preliminary study by Burgelman (1983), the extended research explained that entrepreneurship as a potential means for revitalizing large established firms (Kelley, Peters, & Colarelli O'Connor, 2009; Phan, Wright, Ucbasaran, & Tan, 2009; Stopford & Baden-Fuller, 1994; Zahra & Covin, 1995; Riccardo Fini et al., 2010). Among the influences to inspire young entrepreneurs to start a business are by giving exposure towards the entrepreneurial engagement in product-market innovation, undertaking risky ventures, and prone to come up with proactive innovations. This elements has attracted the attention of researchers and policy makers in the spirit of entrepreneurship and facilitate the creation of new projects among young people, especially the increase in youth unemployment and the slow pace of economic growth to create jobs and economic growth. The fundamental motivation for entrepreneurial behaviour is increasingly recognized and the behaviour leads to intentions, in other words intentions are better than prediction, entrepreneurship is no attempt.

In order to start a new business or organization, or to expand existing businesses by an individual or a group of individuals or companies, they engage in a complex and dynamic activity and they are able to think about future outcomes and characteristics of business creation. The search for determinants of entrepreneurial intent using new entrepreneurs, particularly in understanding the factors driven by the necessities with knowledge, such as behavioural attitude, subjective norms, entrepreneurial self-efficacy and perceived behavioural control. This is discussed in the theory of planned behaviour (TPB) by Ajzen (1991), in which an individual awareness become the foundation of the outcome of a behaviour and the degree to which entrepreneur has a favourable or unfavourable evaluation of performing the behaviour (Christopher Schlaegel and Michael Koenig, 2014). Other than TPB theory, in this paper also discussed on the entrepreneurial event models; which include perceived desirability and perceived feasibility. Perceived desirability explained on the level to which a person is attracted to become an entrepreneurs and it depends on their preferences for entrepreneurial behaviour. Meanwhile, perceived feasibility refers to individual's confident level on starting their own venture and consider the possibility to become entrepreneur as being feasible (Shapero & Sokol, 1982 and Christopher Schlaegel and Michael Koenig, 2014).

As a newly established firm, the quality and quantity of entrepreneurs are also become an indicator of the growth of an entrepreneurship skill. The increasing of entrepreneur talents arise from high critical thinking of entrepreneurial. Studied by Anh. T.P Tran and Harald Von Korfflesch (2016) stated that intention is the best predictor of behaviour in entrepreneurial. This showed that entrepreneurial intention as a strong determinants to be a quality entrepreneurs. Entrepreneur intention can be classified as a mental development that direct the individuals' forecasting and executing business plans. It is related with individual's aspiration and determination to involve in innovative endeavour conception.

Previous research by Bagozzi (1992) argued that theory of planned behaviour does not

incorporate an explicit motivational component since it has not explained on the motivational process and how the predictor act in the formation of intention. Thus, Bagozzi anticipated that there is relationship between attitude and intention which mediates by the factor of individual's desire to perform behaviour. In the perspective of entrepreneurial intention, motivation to perform the intention is founded by the desire and to achieve the goal. According to Perugini and Conner (2000), extended theory involve the goal desire as an antecedent of desire and goal feasibility as an antecedent of perceived behavioural control. The researchers claimed that behaviour positively resulted from the goal's attainment of individual desires. In relation to the entrepreneurial event model, perceived feasibility of achieving the goal is known to broaden the scope of entrepreneurial intention, despite the perceived desirability. This initiate the integrated model on theory of planned behaviour and entrepreneurial event model. This model explained on individual's willingness and proficiency (Guerrero, Rialp & Urbano, 2008; Krueger & Brazeal, 1994; Van Gelderen et al., 2008; Christopher Schlaegel and Michael Koenig, 2014).

For this study, the researchers have used a method of systematic literature review to assess the current trend in entrepreneurial intention literature. This method helps in giving an overview of previous studies related to the intention of entrepreneurs. This paper discussed on the suggestions from literature on how the entrepreneurial intention's determinants, especially towards those who are just started and established the firm. Some of the databases included to support this study are Scopus, Science Direct and Google Scholar. It focus on the determinants of entrepreneurial intention and initially about 50 publication published during 2010-2019 were identified for this study. Related to the main idea of this study, content analysis was done and irrelevant papers were discarded. Based on the literature review, several influences related to entrepreneurial intention has been discussed on entrepreneurial intention; (1) attitude towards entrepreneurship, (2) subjective norm, (3) self-efficacy, (4) perceived behavioural control, (5) perceived desirability, and (6) perceived feasibility.

## **LITERATURE AND THEORY**

### **Concept of Entrepreneurship**

In the context of the study, entrepreneurship referred as a process in which individual identify prospects, apply the chances through invention and innovation, and eventually advanced the contentment from it. Generally, it expedited when individuals received the information of new venture from an extensive range of trustworthy personal contact in their network. They may use the network as a resources to brainstorm new ideas, plan the visions and mission, and exchange the ideas and advices. The factors influencing entrepreneurs such as job establishment, product and process innovation, and invention give the significant impact in entrepreneurial intention. Some research found that entrepreneurs as one of the main contributor in economic growth, with the invention and innovation that they produced which then introduced something better for the society.

Besides, entrepreneurs are recognized as economic representative in response to the transformation of demand to supply. They are the individuals who exploit market prospect through technical in organizational invention and have innovates new venture of recognized value (Wei-Loon Koe et al., 2012). Entrepreneurs can determines creativity and inventive thinking, which is enable to form economic and social devices to turn resources and conditions to practical account, and takes the risk and failure (Anh. T.P Tran and Harald Von Korflesch, 2016). Potential

entrepreneurs can surge a good venture creation and all the performance can be assessed from the actual behaviour (P. Zhang et al., 2015). In addition, if they have more knowledge about the market that they will move into, they can be extra motivated to do something or capable to start their profession or self-employment by themselves. Previous study stated that entrepreneurial intention focused on state of mind that leads people’s to reach a goal. So, there are multiple approaches and various applied theory used to study on the entrepreneurial intention.

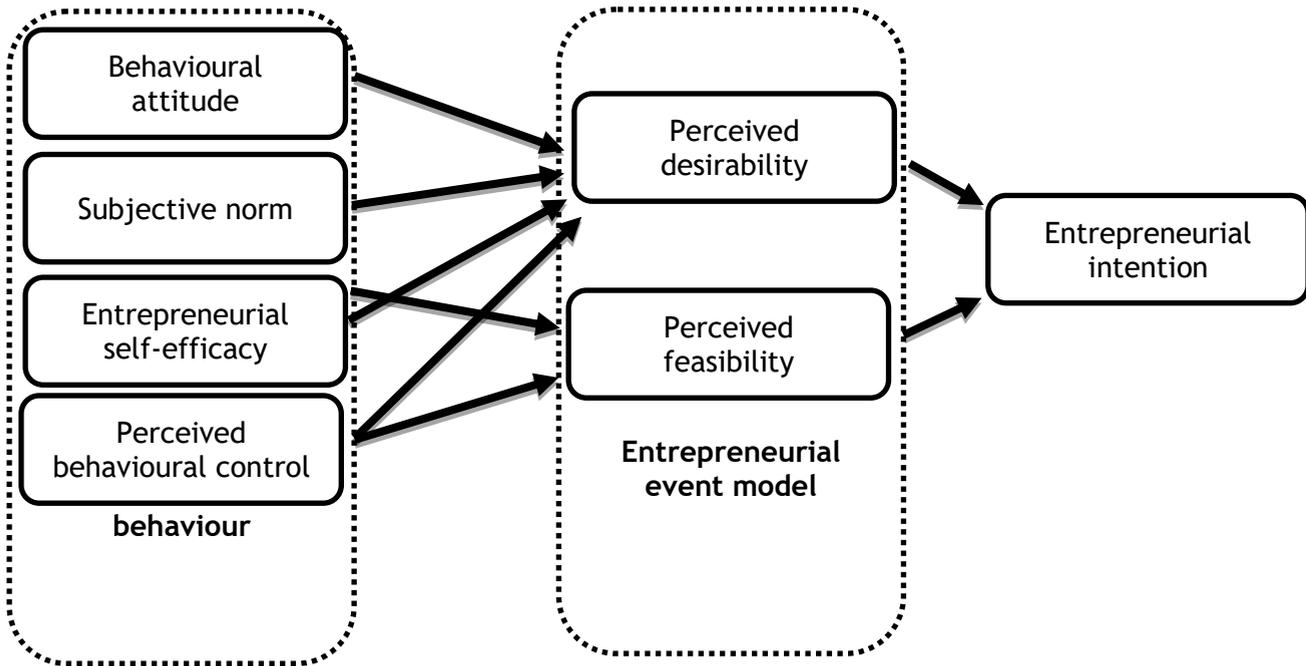


Figure 1: Conceptual Model of Entrepreneurial Intention

**Entrepreneurial intention**

Study by Wei-Loon Koe et al. (2012) described that intention is meant by the attestation of how hard individuals are enthusiastic to attempt, of how much a determination they are forecasting to be executed, in order to execute the behaviour in an organization. Intention of entrepreneurial is intently related to entrepreneurship behaviour. Since entrepreneurial behaviour is intentional, many researchers predict that it can be expected by entrepreneurial intention. In general, the powerful the intention, the more likely that an individual will accomplish a specific behaviour. This related to the study of intention because actual behaviour is hard to be measured in a research.

**Newly firm established**

In the newly established ventures, entrepreneurial activities usually concentrated on their founders and performed informally and very dynamic. The dedication into entrepreneurship is their platform to start new ventures and giving them a base to develop new capabilities and achieve goal (Zahra & Filatotchev, 2004; Christopher Schlaegel and Michael Koenig, 2014). Newly established firm can be refer to a company in primary phase of their life cycles where they

have no organizational provisions for entrepreneurship and organizational structure is flat and fluid. They have conduct entrepreneurial activities often nurtured by their founders' skills, knowledge, creativity, imagination, and alertness to opportunities, and are based on ad hoc intuitive, heuristic, informal managerial practices. Supporting this view, Wiklund (1999) argues that, when applied to newly established firms, the entrepreneurial concept might be seen as a result of individual-level determinants rather than firm-level outcomes (Christopher Schlaegel and Michael Koenig, 2014).

### **Theory of planned behaviour**

Primarily, theory of planned behaviour is initiated from the behaviours that required certain amount of planning. This theory is predictable to be a significant cognitive practice model for the assessment of entrepreneurial intention. It identified the behaviours as the basis of intention, which explains on the convolution of relationship between behaviours and its relevant determinants (Wei-Loon Koe et al., 2012). Based on this theory, there are four predominant determinants; attitude, social norm, self-efficacy and controlled behaviour that envisage the entrepreneur intention into an action. All these determinants reflect to the behaviour (P. Zhang et al., 2015).

### **Attitude towards entrepreneurship influences entrepreneurial intentions in the organization**

Attitude is referred to the level of which an individual has encouraging or not encouraging evaluation of components of behaviour. Previous study showed that once the individuals are aggressively to start a business, their entrepreneurial intention will also go up (P. Zhang et al., 2015). According to this theory of planned behaviour, attitude is recognised as a significant tools to describe the intention towards entrepreneurship (Wei-Loon Koe et al., 2012). In one study that explained on the attitude, it has proven that there is relationship between the effects of attitude in individuals' entrepreneurial intention towards the change, money and entrepreneurship. The other study also mentioned about the person' attitudinal factors such as necessity for financial guarantee, significance of wealth and autonomy that explain the entrepreneurial intention.

### **Subjective norm towards entrepreneurship influences entrepreneurial intentions in the organization**

The other determinant of intention is a social aspect called social norm. Social norm concerns on the perceived social pressure to accomplish or not accomplish on the behaviour (P. Zhang et al., 2015). In the context on theory of planned behaviour, it is a social force to accomplish a specific behaviour or otherwise. Study by Wei-Loon Koe et al. (2012) explained that individuals who have entrepreneur family members and networks were having also positive social norm with regard to entrepreneurship. This supported by previous study that the greater the expectation that such individual engage in entrepreneurship activity is occupied by person who approve the decision for entrepreneurship among the person's social network (Mahmoud Ahmad Mahmoud & Farrah Merlinda Muharam, 2014). If attitude represent the personal aspects influencing an individual's possibility of engaging in particular behaviour, then subjective norms

express the social aspects influencing the individuals. This can be summarised that subjective norms are the perceived social pressure an individual or entrepreneur faces when determining whether to behave in a certain way (Riccardo Fini et al., 2010).

### **Self-efficacy towards entrepreneurship influences entrepreneurial intentions in the organization**

Entrepreneurial self-efficacy means by individual's judgement on his proficiencies to plan and implement the mission of actions necessarily to obtain the designated types of performance. It can transform an entrepreneur to be a dynamic and proactive to start a new business (P. Zhang et al., 2015). According to (Bandura, 1997) self-efficacy is the personal conviction in the skills and capabilities to start and make a task successful. To predict the possibilities of ones being an entrepreneur, the previous study has proposed entrepreneurial self-efficacy construct (ESE). ESE states that how strong a person's belief that he or she can excel in performing the roles of entrepreneurship. The roles highlighted consists of: management, financial control, marketing, innovation and risk-taking. The study conducted found that business creators had greater self-efficacy in invention and risk-taking than did non creators. The outcomes of this study exhibited the potential of entrepreneurial self-efficacy as a specialized characteristic of the entrepreneur.

### **Perceived behaviour control towards entrepreneurship influences entrepreneurial intentions in the organization**

Study by P. Zhang et al. (2015), controlled behaviour refers to individuals who believe they can gain or start a business by having a resources and opportunities. Resources can be classify as tangible and intangible. Intangible resource, to be specific, was recognized in terms of self-efficacy, and previous study reported that this resource has positive impact toward the entrepreneurial intention. In addition, positive influence of perceived behaviour control has proven in relationship with the entrepreneurship, which shown that individuals have high possibility to start-up the business when they thought they could accomplish the tasks associated to entrepreneurship (Wei-Loon Koe et al., 2012).

### **Entrepreneurial event model**

For the entrepreneurial event model, it can defined as the perceptions of desirability and feasibility to be an entrepreneur and a tendency to act upon any chances. The model of the entrepreneurial event was the first model. This model is that business creation as an event can be explained by the interaction between initiatives, management, relative autonomy, risk and capacity based on personal choice in starting a new firm. Behaviour also requires a certain amount of planning and is predictable through the intention of adopting this behaviour. Through three elements the intention are the person's positions, subjective criteria such as perception of others' view of the proposed behaviour, and the person's perception of the behavioural idea.

The position of the newly firm in terms of more than the characteristics and demographic characteristics are illustrated by four sub-domains (achievement, self-esteem, personal control,

innovation and creativity) and three types of reactions (emotional response, cognitive reaction and muscular reaction). The beginning of a new business is a deliberate process that can be affected by attitudes and behaviours. There is a model called the withdrawal of economic and psychological factors that affect the individual as intentions to go to work. The development provided for such models helps us to identify two of the most important aspects; when the last intention of entrepreneurship is published and when the last model of entrepreneurial potential has been integrated into previous models.

### **Perceived desirability control towards entrepreneurship influences entrepreneurial intentions in the organization**

Perceived desirability is defined as the degree to which individual feels engrossed to become an entrepreneur and imitates individual preferences for entrepreneurial behaviour (Christopher Schlaegel and Michael Koenig, 2014). Previous study discussed that arises of entrepreneurial intention have an optimist inspiration on individual's desire to accomplish those behaviours that are related to establishment one's own firm and for attaining the aim to become entrepreneur. It is one of the motivational factor that persuade an encouraging attitude into entrepreneurial intention. Positive affect of personal attractiveness of starting one's own venture is engendered from positive attitudes toward entrepreneurship. This showed more encouraging of perceived desirability of the behaviours related to the aim of becoming entrepreneurs.

### **Perceived feasibility control towards entrepreneurship influences entrepreneurial intentions in the organization**

Perceived feasibility discusses on the degree to which individuals are assured that they are personally capable to start their own business and contemplate the risk to become an entrepreneur as being feasible (Christopher Schlaegel and Michael Koenig, 2014). In the context of entrepreneurial intention, feasibility discussed more on the behavioural factors from internally and externally that are required to accomplish the target or mission of becoming an entrepreneur. Perceived feasibility is considered as second motivational influence after the perceived desirability that transfigure the internal and external factors into entrepreneurial intention. Earlier study stated that the greater perception of internal and external factors may expand individuals' range, which resulted in the increase in feasible alternatives.

## **CONCLUSION**

A significant benefaction in this paper is to propose a conceptual framework on the determinant factors of entrepreneurial intention. This represent a conceptualization about how these builds may associated together to influence the intentional of entrepreneurship. It is expected that the proposed framework could flourish the recent collection of literature and deliver some insights related to the determinants of entrepreneurial intention.

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