

The Entrepreneurial Intention of Undergraduate Students in South Africa: The Influences of Entrepreneurship Education and Previous Work Experience

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Abstract

The primary aim of the study is to assess the entrepreneurial intention of business students. These are students that have done entrepreneurship and small business management modules. The study will also investigate empirically whether there is a significant difference in the entrepreneurial intention of students who have previous work experience compared with students without previous work experience. The study focussed on the final year students (undergraduate level) in the Department of Business Management of a South African university. This study made use of convenience sampling. Data was collected through the use of self-administered questionnaire in a survey. Data analysis included descriptive statistics and the T-test. The results indicate business students have a high level of entrepreneurial intention. In addition, students with previous work experience have a higher level of entrepreneurial intention compared to students without previous work experience. However, the difference is not statistically significant.

Keywords: entrepreneurial intention, work experience, business students, university, South Africa

1. Introduction

According to Basu & Virick (2008), a career in entrepreneurship offers significant opportunities for individuals to achieve financial independence and benefit the economy by contributing to job creation, innovation, and economic growth. Goetz et al. (2012) point out that self-employment has significant positive economic impacts not only on wage and salary employment but also on per capita income growth and poverty reduction. Two major sources of paid employment for new graduates in South Africa are the private sector and the public sector. According to The South African Chamber of Commerce and Industry (2013), government has replaced the trade sector, as the single biggest employer in South Africa. This is clearly unsustainable as the public sector wage bill is ultimately paid for by the taxes generated by the private sector. The Business Day (2013) notes that South Africa created only 1,000 non-agricultural private sector, formal jobs in the third quarter of 2013. City Press (2012) reports that university degrees or diplomas no longer hold the promise of jobs for young South Africans as hundreds of thousands of them battle to find work. There are about 600, 000 university graduates that are languishing at home. Not all graduates are equal in the fierce battle for jobs.

Self-employment through entrepreneurship offers university graduates the opportunity to create jobs for themselves and others. According to Beeka and Rimmington (2011) and Buang (2011), entrepreneurship is one of the career options for youths and graduates. Entrepreneurship is one of the options to reduce the unemployment rate and the social problems that are associated with unemployment. Policy makers are charged with the economic development responsibilities and have a belief that enterprise culture is a key to more new ventures and job creation. In addition, students are faced with changing job markets, which renders more graduates to either compete for few but challenging vacancies or opt for self-employment (Mwasalwiba, 2010). Employers want graduates that are entrepreneurially minded. Thus the development of an entrepreneurial mind-set and/or enterprising skills is on the agenda for developing graduates in order to enhance their employability. Employers are looking for graduates equipped with skills that will enable them to act in enterprising ways so they can deal effectively with a difficult business environment, and a personal life that is increasingly full of uncertainties and complexities (Lourenco et al. 2013).

Therefore, it is critical to understand the factors that affect their intentions to start-up a business in the future. Ashley-Cotleur et al. (2009) point out that there are a number of individual factors that motivate a person's decision to become an entrepreneur. These can generally be categorized as (1) demographic variables or (2) attitudes, values or psychological factors. Ismail et al (2009) add that in addition to personality traits, several additional individual difference variables have been found to predict entrepreneurship. Demographic factors affecting entrepreneurship are age, sex,

education, work experience and role models. In addition, individual difference variables such as age, gender, and education can impact on entrepreneurial behaviours. This study focuses on entrepreneurship education and previous work experience which are key demographic/individual factors that can impact on entrepreneurial intention. Wang et al. (2011) and Zellweger et al. (2011) note that understanding the antecedents of entrepreneurial intention allows teachers, consultants, advisors and policy makers to get a clearer picture of how intentions are formed and how new venture founders' beliefs, perceptions and motives impact the intent to start a business. Investigating the motives that drive graduating students to entrepreneurship is highly significant given the importance of entrepreneurship to job creation and economic growth. This study extends the previous study on graduate entrepreneurial intention by the same author (Fatoki, 2010). The previous study mixed both business and non-business students together in reaching its conclusions.

2. Objective of the Study

The major objective of the study is to assess the entrepreneurial intention of university undergraduates. The study will also investigate empirically whether there is a significant difference in the entrepreneurial intention of students who have previous work experience compared with students without previous work experience. This study focussed specifically on the final year business students (undergraduate level) that have done entrepreneurship and small business management modules.

3. Literature Review

The literature has failed to come up with one specific definition which totally describes entrepreneurship. Various definitions have emerged in an attempt to explain entrepreneurship. According to Sathiabama (2010), entrepreneurship is a dynamic process of creating wealth by individuals or groups of individuals. Rwigema and Venter (2004) define entrepreneurship as the process of conceptualising, organising, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and unstable environment. Entrepreneurship is a vehicle to economic growth, success and prosperity. Herrington et al. (2009) point out that an entrepreneur is one that shifts economic resources out of an area of low productivity into an area of higher productivity and greater yield. An entrepreneur is one who organises, manages and assumes the risk of a business enterprise

According to Pihie (2009) entrepreneurship can be measured in two ways: Actual entrepreneurship (i.e. people that have actually started business) and entrepreneurial intention (i.e. people that intend to start business). A strong association exists between the entrepreneurial intention and actual behaviour. Henley (2007) points out that entrepreneurship is an intentional activity, in that for many those intentions are formed at least a year in advance of new venture creation. Ajzen's (1991) theory of planned behaviour argues that there is a link between beliefs and behavior. This suggests that there is a relationship between the intention to be an entrepreneur and the act of becoming one. Thus, one's intention greatly explains the behaviour. The underlying assumptions of the theory of planned behaviour are that: Much human behaviour is planned and therefore preceded by intention towards that behaviour; human beings are rational and make systematic use of information available to them when making decisions; and intention predicts planned behaviour. In addition, the social learning theory by Bandura (1977) states that behavior is learned from the environment through the process of observational learning. Children observe the people around them behaving in various ways. Individuals that are observed are called models.

Ismail et al (2009) note that in addition to personality traits, several additional individual difference variables have been found to predict entrepreneurship. Demographic factors affecting entrepreneurship are age, sex, education, work experience and role models. In addition, individual difference variables such as age, gender, and education can impact on entrepreneurial behaviours. This study focuses on entrepreneurship education and previous work experience which are key demographic/individual factors that can impact on entrepreneurial intention.

The Consortium of Entrepreneurship Education (2013) points out that entrepreneurship education seeks to prepare people, especially youth, to be responsible, enterprising individuals who become entrepreneurs or entrepreneurial thinkers and who contribute to economic development and sustainable communities. Entrepreneurship education is not only about teaching how to run a business, it is also about encouraging creative thinking and promoting a strong sense of self-worth and accountability. Through entrepreneurship education, students learn how to create a business, but they also learn a lot more. The core knowledge created via entrepreneurship education includes: the ability to recognize opportunities in one's life; the ability to pursue such opportunities by generating new ideas and marshalling needed resources; the ability to create and operate a new venture and the ability to think in a creative and critical manner.

According to Garavan and O'Cinneide (1994), the most commonly cited objectives of entrepreneurship education and training programmes are:

- to acquire knowledge germane to entrepreneurship;
- to acquire skills in the use of techniques, in the analysis of business situations, and in the synthesis of action plans;
- to identify and stimulate entrepreneurial drive, talent and skills;
- to undo the risk-adverse bias of many analytical techniques;
- to develop empathy and support for all unique aspects of entrepreneurship;
- to devise attitudes towards change;
- to encourage new start-ups and other entrepreneurial ventures.

Ediagbonya (2013) points out that entrepreneurship education is the kind of education given to people with a view to developing entrepreneurship qualities properly followed up with support services for smooth take off and successful running of business. Entrepreneurship education seeks to provide student (especially those in tertiary schools) with the knowledge, skills and motivation to encourage entrepreneurial studies in a variety of setting. Schools for entrepreneurship are an important link between theoretical knowledge and practical involvement in the market. According to Ismail et al. (2009), entrepreneurial education at tertiary level has also become an essential component of many curriculums in higher learning institutions. Since future entrepreneurs can be found amongst those who are currently undergoing their educational process at the universities, entrepreneurship education has been used as one of the most effective ways to promote the transition of graduates into the world of entrepreneurship. Souitaris et al. (2007) find that entrepreneurship programs significantly raised students' subjective norms and intentions toward entrepreneurship by inspiring them to choose entrepreneurial careers. Basu and Virick (2008) find that prior exposure to entrepreneurship education has a positive effect on students' attitudes toward a career in entrepreneurship and on perceived behavioural control or entrepreneurial self-efficacy. Raposo and Depaco (2011) point out that entrepreneurial attitudes are not only required in the course of a classic entrepreneurial career, but they are also in high demand independent employment relationships. Frank et al. (2005) note that entrepreneurship education seeks to propose people, especially young people, to be responsible, as well as enterprising individuals who became entrepreneurs or entrepreneurial thinkers who contribute to economic development and sustainable communities. Entrepreneurship education is aimed at creating or increasing entrepreneurial attitudes, spirit and culture among individuals and in the general community. Entrepreneurship education is associated with opportunity recognition, venture creation and growth. Entrepreneurship education helps in imparting entrepreneurial skills among individuals (Mwasalwiba, 2010). Thus entrepreneurship education is highly important to entrepreneurial intention, opportunity recognition and new venture creation.

According to McStay (2008), research has shown that an individual's past business experience influences their decision-making and business performance. Previous exposure to business, role models and networks are important reasons why individuals become entrepreneurs. Peterman and Kennedy (2003) find a positive relationship between prior work experience in a small business environment and attitudes toward entrepreneurship. Kolvereid (1996) points out that those with prior experience in entrepreneurial activities have higher entrepreneurial intention compared to those with no prior experience. According to Mazzarol et al. (1999) previous working experience can impact on entrepreneurial intention. People who have worked in the government sector are less likely to start a new business venture as compared to their counterparts with experience in private sector. Taylor and Thorpe (2004) explain the importance of networking in the entrepreneurial learning process. An integral part of the learning process is the complex network of relationships of the small firm owner-manager. Networking includes both work-related networks and social related networks. Networking improves access to resources and knowledge. Networking gained through previous work experience can positively impact on the entrepreneurial intention of students.

Ahmed et al. (2010) point out that students with entrepreneurial experience, whether self-experience, family experience or previous work experience are more inclined towards entrepreneurial career. This can be attributed to vigilance with the market and business and their knowledge regarding changing trends of market.

4. Research Methodology

The study focused on the final year students (undergraduate level) in the Department of Business Management at a selected University located in the Limpopo Province of South Africa. These are students whose curriculum includes entrepreneurship and small business management in their first and second years in the university. This study made use of convenience sampling. Data was collected through the use of self-administered questionnaire in a survey. The

questionnaires were distributed in class to the students with the assistance of the lecturer. Following similar studies on entrepreneurial intention by Zhao et al. (2005), Zampetakis and Moustakis (2006) and Wu (2009), entrepreneurial intention was measured using seven point Likert scale ranging from “1 strongly disagree to 7 strongly agree”. Seven statements were used. 1. I will start my own business in the near future. 2. It is has been my intent to start my own business. 3. Starting my own business is an attractive idea to me, 4. I am enthusiastic about starting my own business, 5. It is desirable for me to start my own business. 6. I spent a lot of time thinking about owning my own business. 7. Owning my own business is the best alternative for me. The seven measures were averaged to obtain the entrepreneurial intention score for each respondent. Reliability was measured using the Cronbach's alpha. The coefficient alpha for the measures of entrepreneurial intention was 0.88, which indicated a very high reliability. Previous work experience was measured using 1 for previous work experience and 2 for no previous work experience. Data analysis included descriptive statistics (mean and standard deviation) and the T-test.

5. Results and Discussions

180 questionnaires were distributed in class with the assistance of the lecturer and 165 were returned. The response rate was 91.7%. 10 questionnaires were found unusable because of the failure of the respondents to complete vital parts of the questionnaire. 155 questionnaires were found usable. 68 respondents were male and 87 were female. 38 respondents had previous work experience and 117 respondents did not have previous work experience.

5.1 The Entrepreneurial Intention of Business Students

Table 1: the entrepreneurial intention of business students

Statement	Mean	Standard deviation
1. I will start my own business in the near future.	5.919	1.381
2. It is has been my intent to start my own business.	5.811	1.488
3. Starting my own business is an attractive idea to me.	5.567	1.573
4. I am enthusiastic about starting my own business.	5.513	1.446
5. It is desirable for me to start my own business.	5.729	1.426
6. I spent a lot of time thinking about owning my own business.	5.622	1.459
7. Owning my own business is the best alternative for me	5.946	1.153
Scale mean	5.730	1.288

Table 1 depicts the results of entrepreneurial intention of business students. The scale mean for the entrepreneurial intention of business students is 5.730. This indicates a high level of entrepreneurial intention for business students. Studies such as Grubb et al. (2006), Souitaris et al. (2007) and Gerba (2012) find that university students whose primary discipline is business management possess a more favourable view of careers in small business. Entrepreneurial education programs are a source of entrepreneurial attitude and overall intentions to become future entrepreneur. Business graduates are more likely to launch businesses and have a higher level of intention and a more developed perception of self-efficacy. In addition, Ediagbonya (2013) find that entrepreneurship education seeks to provide student (especially those in tertiary schools) with the knowledge, skills and motivation to encourage entrepreneurial studies in a variety of setting. Ismail et al. (2009) point out that since future entrepreneurs can be found amongst those who are currently undergoing their educational process at the universities, entrepreneurship education is one of the most effective ways to promote the transition of graduates into the world of entrepreneurship. Frank et al. (2005) note that entrepreneurship education seeks to propose people, especially young people, to be responsible, as well as enterprising individuals who became entrepreneurs or entrepreneurial thinkers who contribute to economic development and sustainable communities.

5.2 Previous work experience and the entrepreneurial intention business students

Table 2: Previous work experience and the entrepreneurial intention of business students

Parent involvement in business	Mean of entrepreneurial intention	Standard deviation
Previous work experience	5.902	0.984
No previous work experience	5.519	1.161

Table 2 depicts the results of previous work experience and the entrepreneurial intention of business students. The results for the two sets of respondents indicate a high level of entrepreneurial intention. This can be attributed to the effect of entrepreneurial education. Students with previous work experience (mean of 5.902) have a higher level of entrepreneurial intention compared to students without previous work experience (mean of 5.519). The T-test (sig. 0.616) however indicates that there is no significant difference in the mean scores of the two sets of respondents. Studies such as Kolvereid (1996), Mazzarol et al. (1999) and Peterman and Kennedy (2003) find a positive relationship between prior work experience in a small business environment and attitudes toward entrepreneurship. Individuals with prior experience in entrepreneurial activities have higher entrepreneurial intention compared to those with no prior experience. Previous work experience helps to develop the skills and competencies required to be an entrepreneur.

6. Conclusions

Graduate unemployment rate is on the increase in South Africa due to lack of job opportunities. Entrepreneurship offers unemployed university graduates a way to become employed and also create jobs. The major objective of the study is to assess the entrepreneurial intention of university undergraduates. The study also investigates whether there is a significant difference in the entrepreneurial intention of students who have previous work experience compared with students without previous work experience. This study focussed specifically on the final year business students (undergraduate level) that have done entrepreneurship and small business management modules. The scale mean for the entrepreneurial intention of business students is 5.730. This indicates a high level of entrepreneurial intention for business students. In addition, students with previous work experience (mean of 5.902) have a higher level of entrepreneurial intention compared to students without previous work experience (mean of 5.519). The T-test (sig. 0.616) however indicates that there is no significant difference in the mean scores of the two sets of respondents. The results of this study underscore the importance of business and entrepreneurship education in improving entrepreneurial intention and the general level of entrepreneurship in South Africa. Therefore, educational institutions should introduce and strengthen entrepreneurial education. When learners are oriented into entrepreneurship from an early age, it becomes easier to develop successful ventures. Presently, entrepreneurship is predominantly been presented to students in management, business and economic related courses and not to students in all the faculties in the universities in South Africa. Entrepreneurship and small business management should be made a compulsory module at all levels and in all the faculties in the universities. Successful entrepreneurs from various fields should be invited to give practical talks to students in all faculties. Government agencies such as the Small Enterprise Development Agency and the Small Enterprise Finance Agency should make student entrepreneurship as one of their core missions. Future research could expand the study to more universities to improve the generalisability of the study.

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