THE INFLUENCE OF SELF-EFFICACY THEORY ON ENTREPRENEURIAL INTENTION

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Abstract

Psychological theories of entrepreneurship have been a subject of academic interest for more than two decades. However, it is still considered as an emerging field of academic research. Some scholars attribute this to the lack common agreement of what psychological entrepreneurship is. Perceived self-efficacy is defined as people's beliefs about their capabilities to produce designated levels of performance that exercise influence over events that affect their lives. Self-efficacy beliefs determine how people feel, think, motivate themselves and behave. Such beliefs produce these diverse effects through four major processes. They include cognitive, motivational, affective and selection processes. The study of the factors that leads people to become entrepreneurs has been a question of many researchers. The purpose of this paper is to examine relationship between existing literature on sources of self-efficacy and entrepreneurial intention to understand the current state of the field. The final part will propose the research model for the current study.
Key words: Entrepreneurial Intention, Self-Efficacy Theory, Performance Accomplishment, Vicarious Experience, Verbal Persuasion, Emotional Arousal

I.INTRODUCTION

Entrepreneurial activities mobilize the country's economy and ensure the well-being of the society through job creation and bringing innovation to the market (Shane & Venkataraman, 2000). According to Peng et al (2012), economic and social development can be promoted through increased entrepreneurial rate. Previous research (Krueger et al. 2000) indicated it is widely accepted that future entrepreneurial behaviour can be predicted through entrepreneurial

intentions and is the first critical step in the process of becoming an entrepreneur (Bird, 1988; Harris, Gibson, Prophet, Holden, 2008; Holden, 2008). Therefore, understanding which factors affect entrepreneurial intentions can help enhance the rate of entrepreneurship and may help the countries to reduce the unemployment problem.

The self-efficacy construct is appropriate for the study of entrepreneurship because of its nature: it is a task-specific construct that includes an assessment of confident beliefs an individual has about internal (personality) and external (environment) constraints and possibilities, and it is close to action and action intentionality (Boyd and Vozikis, 1994). For example, Krueger et al. (2000) found that self-efficacy was a good predictor of initial intentions, Markman et al. (2002) describes self-efficacy as the key determinant of business growth and personal success, and Shane et al. (2003, p. 267) cites Baum's study (1994) to highlight that self-efficacy is the sole 'single best guesser in various variables' used to study entrepreneurial outcomes for a group of founders in the timber industry.

Self-efficacy has emerged as a proven construct to evaluate learning and change (Bandura, 2012). Self-efficacy is based on Social Learning Theory and can be explained as the confidence an `individual has for persevering through specific tasks in order to achieve desired performance outcomes (A. Bandura, 1999). The entrepreneurial self-efficacy construct has been utilized in the field of entrepreneurship education (Hao, Seibert, & Hills, 2005; Wilson, Kickul, & Marlino, 2007; Wilson, Kickul, Marlino, Barbosa, & Griffiths, 2009). However, there is little research available on sources of self-efficacy and entrepreneurial intention. This study will focus on the four primary sources which is performances accomplishment, vicarious experiences, verbal persuasion and emotional arousal.

II. LITERATURE REVIEW

2.1 Self Efficacy Theory

Bandura (1997) defines self efficacy as 'the judgment of their ability to organize and implement the actions required to achieve the type of prescribed offerings'. Two important aspects of this definition warrant further clarification. First, self-efficacy is the belief of one's capabilities, and therefore does not necessarily match the actual capabilities of a person in a particular domain. In fact, research findings have suggested that most individuals have really excelled in their academic ability (Pajaras, 1996). Bandura (1986) argues that the most useful effectual consideration is those who slightly exceed one's actual ability, because this modest impulse can actually increase effort and persistence during difficult times. The second important aspect of Bandura's definition of self-efficacy is the idea that individuals use their effectiveness assessments to refer to some of the goals ('attaining the prescribed type of performance'), which reflect both the task and the specific nature of the effectiveness of trust. This self-efficacy aspect differs from the more general life expectancy, such as self-concept and self-perception of efficiency which, although they may be specific domains, tend to be a more global perception (Pajaras, 1996). The Social Cognitive Theory explains that an individual's sense of self-efficacy

can be influenced through four processes: performance accomplishment, vicarious experience, verbal persuasion, and emotional arousal (Bandura, 1986).

The theory of self-efficacy was advanced by Bandura and his colleagues (Bandura, 1982; Ozer and Bandura, 1990; Bandura, 2001) to explain individuals' variability in attaining goals. Individuals with different self-esteem beliefs are expected to be systematically different in the amount of effort they spend on the tasks directed towards the goal, the magnitude of the overcoming activities they begin to overcome the obstacles, and the extent to which they maintain the pursuit of continued goals despite obstacles (Bandura, 1997; Stajkovic and Luthans, 1998). Before someone starts and pursues tasks directed at the goal, he will use personal cognitive ability to weigh, evaluate, and integrate information about personal skills rather than specific challenges and form trust in the probability of success. The strength of this trust and the certainty it holds is self confidence in the relative relevance of the problem.

Krueger et al (2000) pointed out that experience influences the entrepreneur's intention, and that there is also a direct relationship between entrepreneur's experience on perceived feasibility and perceived desirability; feasibility and desirability existing in the environment that influences the entrepreneur's experience, so perceived feasibility and perceived desirability partially serve as key elements in forming entrepreneurial experiences and entrepreneurial intentions. Krueger et al (2000) observed that entrepreneurs' experiences directly influence the entrepreneur's intention to start a new venture.

Self-efficacy has an important effect on the choice of behavioural determination. Individuals tend to choose situations where they expect high personal controls but avoid situations where they expect low control (Bandura 1977, 1982; Bandura Schunk, 1981; Wood Bandura, 1989, 2012). Therefore, as far as people plan and choose their career path, they assess their personal capabilities for different job requirements (Chen, Greene Crick, 1998, 2012). Assessment of their own ability therefore directs people to prepare and enter the jobs they feel successful, but at the same time avoiding jobs where they feel the lack of competence (Betz and Hackett 1981, 1986, Miura 1987; Scherer et al 1989). Empirical evidence suggests that self-efficacy is positively related to student intentions to start their own business (Chen, Greene Crick, 1998).

2.1.1 Performance Accomplishment

The first and most effective way to develop a strong sense of self-efficacy is performance accomplishment, which refers to completed actions in previous identical or similar activities (mastery experience). Successful repeated completions might raise the level of self-efficacy while failures might lower it. Because past accomplishments are based on real experiences, they are the most important contribution to self-efficacy. During situated practice, students get the chance to engage in various entrepreneurial tasks, which, if repeated and completed in a successful way, may contribute to students' self-efficacy (Lilly, 2008).

The most effective way for individuals to develop a strong sense of self-efficacy is through mastery experiences or repeated performance accomplishments (Bandura, 1977a, 1982; Gist, 1987; Wood & Bandura, 1989). Enactive mastery provides confirming experiences that contribute to positive estimations of future performance (Lent & Hackett, 1987). However, when

people experience only easy successes, they become quickly discouraged by failure when it occurs. In order to gain a more stable and resilient sense of self-efficacy, it is necessary to have direct experience in overcoming obstacles through effort and perseverance (Wood & Bandura, 1989). Performance setbacks serve the useful purpose of teaching that sustained effort is usually necessary for success. In addition, if people develop a sense of confidence in their capabilities through experiencing success, failures and setbacks may be more effectively managed (Wood & Bandura, 1989).

2.1.2 Vicarious Experience

Vicarious experience, or observational learning through modelling, provides a slightly less-effective method of strengthening self-efficacy (Gist, 1987; Wood & Bandura, 1989). Proficient role models convey effective strategies for managing situations, and they affect self-efficacy through a social comparison process (Wood &Bandura, 1989). That is, people form judgments of their own capabilities by comparing themselves to others. Through observational learning, an individual estimate the relevant skills and behaviour used by a role model in performing a task, approximates the extent to which those skills are like his or her own, and infers the amount of effort versus skill that would be required to reach the same results (Gist & Mitchell, 1992). The effects of modelling are enhanced when there is a perceived similarity between the subject and model in terms of personal characteristics and capabilities and when the modelled behaviour produces obvious consequences or results (Gist, 1987; Bandura, 1977a).

2.1.3 Verbal Persuasion

Verbal persuasion is a third way of strengthening people's beliefs that they have what it takes to succeed. People who are persuaded verbally that they possess the capabilities to master given activities are likely to mobilize greater effort and sustain it than if they harbor self-doubts and dwell on personal deficiencies when problems arise. To the extent that persuasive boosts in perceived self-efficacy lead people to try hard enough to succeed, they promote development of skills and a sense of personal efficacy. If people receive positive feedback and realistic encouragement directed to convince them that they can do the job, they may be more likely to do more work (Gist, 1987, Wood Bandura, 1989). The dangers in using this method are self-confidence-self-efficacy can be increased to an unrealistic level. Therefore, verbal persuasion needs to include task assignments that develop self-improvement (mastery experience) to ensure success. In addition, it is important to consider factors such as the credibility, expertise, beliefs, and prestige of deceiving people when assessing the use of persuasive information (Bandura, 1977; Gist Mitchell, 1992). This method, when considered solitary, is usually less effective in increasing the perception of self-efficacy than mastery experience and modelling (Bandura.1982; Gist, 1987).

2.1.4 Emotional Arousal

The effectiveness and fourth information sources come from one's physiological and emotional feedback during performance, especially those involving physical activity. In particular, individuals interpreted stress reactions (eg, increased heart rate, sweating, hyperventilation, and feelings of anxiety and fear) when demanding a task as a sign of weakness (Bandura, 1997). That is, they may interpret their emotional arousal and tension as indications of vulnerability to poor performance. For example, anxiety may be viewed as debilitating fear that will increase the likelihood of failure and lower self-efficacy expectations (Gist, 1987; Stumpf, Brief, & Hartman, 1987; Wood & Bandura, 1989). Factors such as general physical conditions, personality factors, and moods can affect self-efficacy by influencing the resurgence of a person during a job (Gist Mitchell, 1992). Empirical support exists for negative relationships between levels of concern and self-efficacy expectations. Heightened anxiety levels contribute to low self-efficacy expectations (Stumpf, Brief, & Hartman, 1987). Thus, to strengthen perceptions of self-efficacy, people should take steps to enhance their emotional and physical status and reduce stress levels (Gist 1987; Wood & Bandura, 1989).

2.2 Entrepreneurial Intention

Entrepreneurial intentions are defined as the individual's willingness to carry out entrepreneurial behaviour, engage in entrepreneurial action, self-employed, or establish new business (Dell, 2008; Dhose Walter, 2010). It usually involves inner guts, ambition and the feeling to stand on one's feet (Zain, Akram & Ghani, 2010). Individuals may potentially become entrepreneurs but do not make any transition into entrepreneurship unless they have such intentions (Mohammad Ismail et al., 2009). Bird (1988) suggests that entrepreneurial intentions refer to individuals' mental states aimed at creating new ventures, developing new business concepts or creating new values in existing firms. This is an important factor in facilitating the establishment of new ventures and has a big impact on firms' success, survival and business growth. He suggested that intentional process often begins based on an entrepreneur's personal needs, values, wants, habits and beliefs.

Previous studies have explicated entrepreneurial intention as a person's psychological state that leads to the desire of initiating a novel business or a new valued extension within a current business (Guerrero et al., 2008; Wu and Wu, 2012). Peng et al. (2012) also defined entrepreneurial intention as a mental or cerebral orientation, e.g. desire, optimism and aspiration influencing their selection of entrepreneurship. The research on entrepreneurial intention originated from two distinct fields (Linan and Fayolle, 2015). First, from social psychology, e.g. work of Ajzen and Fishbein (1980) and Bandura (1997), where it investigated general behaviours and highlighted that the processing of mind initiates from attitudes and it consequently results in actual accomplishment of a task. Furthermore, theory of planned behaviour proposed by Ajzen's (1991) is considered as the pivotal work in the field of social psychology (Linan and Fayolle, 2015). The second origin of entrepreneurial intention is mainly

related to the area of entrepreneurship (Bird, 1988; Shapero, 1984; Shapero and Sokol, 1982). Shaver and Scott (1991) argued that the integration of these two strands of literature owe a lot to some particular studies which provided a strong rationale for the embracing of tools and theories from psychology in entrepreneurship. Further, preceding studies have also stressed on the impact of characteristics and behaviours (such as thirst of success, regulation and control, risk-taking, persistence and shrewdness) on one's inclination to pursue entrepreneurial ventures (Shaver and Scott, 1991).

III. RESEARCH MODEL
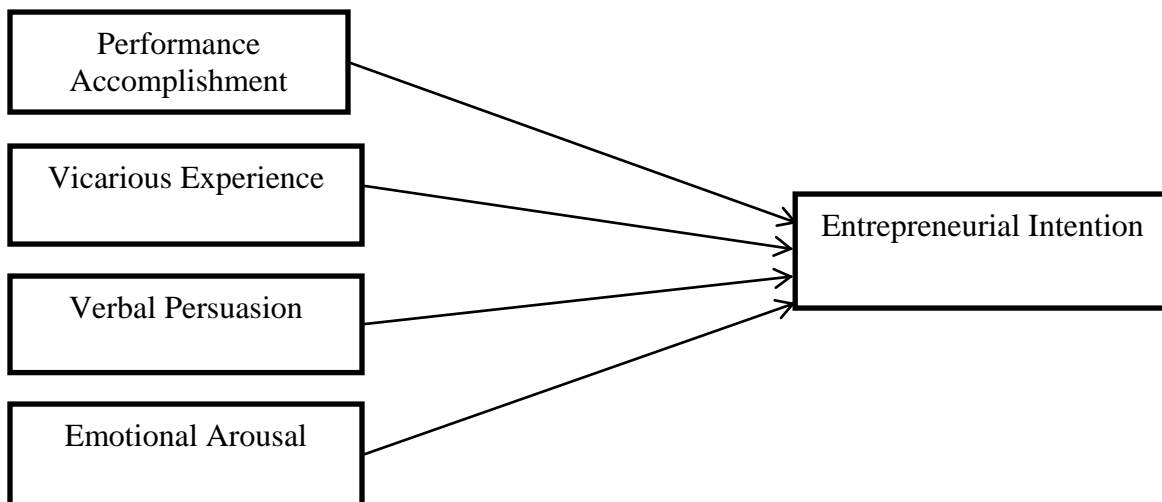
SOURCES OF SELF EFFICACY

Figure 1 : Research Model

IV. CONCLUSION

Self-efficacy is perceived by people's belief in their ability to exercise control over their own functions and events affecting their lives. Belief in personal effectiveness affects life choices, motivation, working quality, resilience to stress and susceptibility to stress and depression. The trust of people in their effectiveness is developed by four main sources of influence. They include performance accomplishment, seeing people similar to oneself manage task demands successfully, verbal persuasion that one has the capabilities to succeed in given activities, and inferences from vicarious experience and emotional arousal indicative of personal strengths and vulnerabilities.

Theory of self-efficacy can be very useful as applied tools for developing entrepreneurship learning, competencies and intentions. On future studies, I believe it is necessary to determine whether the effectiveness of entrepreneurial self efficacy is positive in relation to student intentions to start their own business (Chen, Greene, and Crick, 1998).

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