

# **Predictors of Entrepreneurial Intentions of Undergraduate Students in Vietnam: An Empirical Study**

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## **Abstract**

The present research aims at identifying the factors that influence the entrepreneurial intentions among undergraduate students in Vietnam. The data were collected from 180 students at several Universities in Hanoi, Vietnam. Multiple regression method was used to test the impacts of personal factors and contextual factors on the students' entrepreneurial intentions. The results confirmed that individual difference variables such as risk-taking propensity and creativity and personality traits, such as locus of control and need for achievement had strong impacts on the intention to start a new venture. Furthermore, contextual factor such as perceived support in the entrepreneurship-related context directly influenced the entrepreneurial intentions. Discussion of the findings, recommendations and implications for policy makers both inside and outside universities were also detailed.

**Keywords:** Entrepreneurial intention, undergraduate students, Vietnam

## **1. Introduction**

Entrepreneurs are major contributors to economic growth, development, and prosperity (Schramm, 2006a). In this way, in recent years, policy makers both inside and outside universities have increased their attention in promote entrepreneurial activities, as these activities are regarded as a driving force for innovation. The increased interest in entrepreneurship has reached almost every country in the world due to increasing international competition based on agility, creativity and innovation (Lüthje and Franke, 2003).

The idea of self-employment is more and more attractive to students because it is seen as a valuable way of participating in the labor market without losing one's independence. Additionally, the desirability of entrepreneurship is also related with an increasing disappointment with traditional occupations in large companies (Kolvereid, 1996). As a reaction to international competition, these companies have gone through a restructuring process which involves major cost cutting. Hence, the employment-related advantages of established companies (such as job security, reward of loyalty and stability) have lost their attraction

(Jackson and Vitberg, 1987). At the same time, the work values usually linked with self-employed (independence, challenge and self-realization) have become more desirable (Lüthje and Franke, 2003).

While entrepreneurship research is abundant elsewhere in the world, in Vietnam entrepreneurship is a relatively new concept. For the first time in the history of Vietnam, the term entrepreneur has appeared in the Constitution in 2013. Currently, more effort has been contributed to the development of entrepreneurs in Vietnam to promote the role of Vietnamese entrepreneurs in the period of accelerating industrialization, modernization and international integration. These positive perceptions have contributed in promoting business start-up and helping Vietnamese entrepreneurs have more conditions to develop better. A report suggested that the proportion of Vietnamese people having intention to start a business in Vietnam in 2014 is low at 18.2% which is lower than 24.1% in 2013 and much lower than the average level of the countries in the same stage of economic development with Vietnam. Moreover, young people have higher rate for entrepreneurial intentions than middle-aged people, 24.2% of young people have entrepreneurial intentions in the next 3 years while this rate for middle-aged people is just 10.7%. This situation also occurs in almost all ASEAN countries and other countries across the globe. It shows that Vietnam as well as other economies should focus more on young people in order to build a program for promoting business start-up. However, to design effective programs in the future as well as enhance the efficiency of present program, the program-developers have to determine factors that influence the entrepreneurial intent of the students. The current study aims to fill this gap by exploring the predictors of students' entrepreneurial intentions in Vietnam.

## **2. Literature review**

Entrepreneurial intention defined as willingness of individuals to perform entrepreneurial behavior, to engage in entrepreneurial action, to be self-employed, or to establish new business (Dell, 2008; Dhose & Walter, 2010). The intention to start-up business is mainly based on the following theories: Ajzen's theory (1991) of planned behavior, Shapero and Sokol's (1982) model of the entrepreneurial event and Bandura's (1977) model of social learning, in which the vital elements are explanation and prediction of personal behavior with respect to entrepreneurship.

The literature has suggested a variety of factors influencing the formation of entrepreneurial intention. Researchers have grouped them into two broad categories: individual factors and the contextual factors (Bird, 1988). The former includes such variables as demographics, personal traits, psychological characteristics, individual skills and prior knowledge, individual network and social ties. The latter encompasses environmental support, environmental influences and organizational factors.

### **2.1. Personal variables**

#### **2.1.1. Demographic variables**

Previous research found that demographic factors play an important role in shaping the intention to start up a business. Mazzarol, Volery, Doss & Thein (1999), for example, suggested

that females were less likely to be founders of business than male. Reynolds, Carter, Gartner, Greene, and Cox (2002) showed that adult men in the United States are twice as likely as women to be in the process of starting a new business. Furthermore, research on the career interests of teenagers has revealed significantly fewer intentions among girls than among boys to get engaged in entrepreneurial careers (Kourilsky & Walstad, 1998). Several studies supported the argument that males had significantly higher entrepreneurial intention than females (e.g., Mazzarol et al., 1999; Kolvereid, 1996). On the other hand, Khan, Ahmed, Nawaz and Ramzan (2011) revealed that female students seem to have less entrepreneurial spirit, but the result shows that regardless of gender, there are equal inclination towards entrepreneurial attitude.

Age is also considered to be a solid predictor of entrepreneurial intentions. Boyd (1990) showed that it is positively correlated with entrepreneurial intention. Bates (1995) demonstrated that the intention and the likelihood to be entrepreneurial increases with age peaking as people approach age 40 and then leveling out. On the other hand report by Global Entrepreneurship Monitor (2014) suggests that globally, young people aged 18-34 are more likely to start a new venture than those aged from 35 to 64. Thus it can be concluded that both age and gender have impacts on entrepreneurial intentions but the impacts could be moderated by other factors.

#### *2.1.2. Personality traits*

The literature has suggested that personality traits have significant impacts on entrepreneurial intentions. Specifically, self-efficacy (Zhao et al., 2005), optimism (Cooper et al., 1988) and passion (Locke, 1993) have all been found to be positively related to the intentions to start up a new business. Ismail et al., (2009) studied the impacts of big five personality traits and entrepreneurial intentions among undergraduate students in Malaysia. The results confirmed only extraversion and openness to experience significantly predicted intention to start up.

Need for achievement was also found to be positively related to entrepreneurial intentions (Lüthje and Franke, 2003). McClelland (1961) introduced the need-for-achievement concept. He argued that individuals with a high level of need-for-achievement show higher willingness to engage in entrepreneurial activities. There have been supports for the relationship between need for achievement and entrepreneurial intentions. Collins et al, (2003) conducted a meta-analysis of the relationship between achievement motivation and variables associated with entrepreneurial behavior. They found that achievement motivation was significantly correlated with both choice of an entrepreneurial career and entrepreneurial performance. Tong et al. (2011) found that need for achievement is the strongest predictor of entrepreneurial intention.

Locus of control (Rotter, 1990) is a psychological characteristic that is related to the ability of individuals to control the events in life. Individuals who are internal locus of control believe that they are able to control life's events while individuals who are external locus of control believe that life's events are the result of external factors, such as chance, luck or fate (Hay, Kash & Carpenter, 1990; Millet, 2005). Those individuals with a higher internal locus of control are deemed to be self-employed (Bönte & Jarosch, 2011) and have high motivation to

improve the efficiency of work (Gö ksel & Aydintan, 2011). They have the ability to control the environment through their action and they are willing to take risks (Mueller & Thomas, 2000). Khan et al., (2011) found that with internal locus of control, the students will perform good attitude against entrepreneurial intention and high possibility to become an entrepreneur. Hence, it can be concluded that the higher the internal locus of control of undergraduates, the higher the entrepreneurial intention.

Another key dimension of the entrepreneurial intention is risk-taking propensity. Some authors have determined that entrepreneurs possess higher risk propensity and uncertainty tolerance than do non-entrepreneurs (Begley and Boyd 1987). Simon, Houghton and Aquino (1999) suggest that the reason entrepreneurs tend to choose high-risk opportunities to exploit is maybe a result of their cognitive biases, where they cannot recognize the risks engaged in a given entrepreneurial activity. McGrath et al., (2002) confirmed this notion in based on their research of the 3000 respondents consisting of entrepreneurs and cooperate managers in 13 countries. They found that in a number of quite different societies, entrepreneurship is associated with a low uncertainty avoidance level, which implies a high risk propensity. Amit, Glosten and Muller (1993) support this in their examination of entrepreneurs, in which they found that entrepreneurs as a group have an above average propensity to taking risks.

Entrepreneurship literature advocated the role of creativity in fostering intention to start up. Creativity has been identified as a primary predictor of entrepreneurship, as entrepreneurs need to be able to recognize opportunities, generate ideas and innovate (Schumpeter, 1934). Hamidi et al (2008) found that the more creative individuals are, the more likely they are to engage in entrepreneurship. Gorman et al (1997) and Feldman and Bolino (2000) proposed that individuals with a strong creativity anchor are motivated to become self-employed. Sternberg (2004) similarly argues that creative intelligence – the capacity to think outside the box – may influence an individual's decision to form a new venture.

## **2.2. Contextual factors**

### **2.2.1. Perceived support**

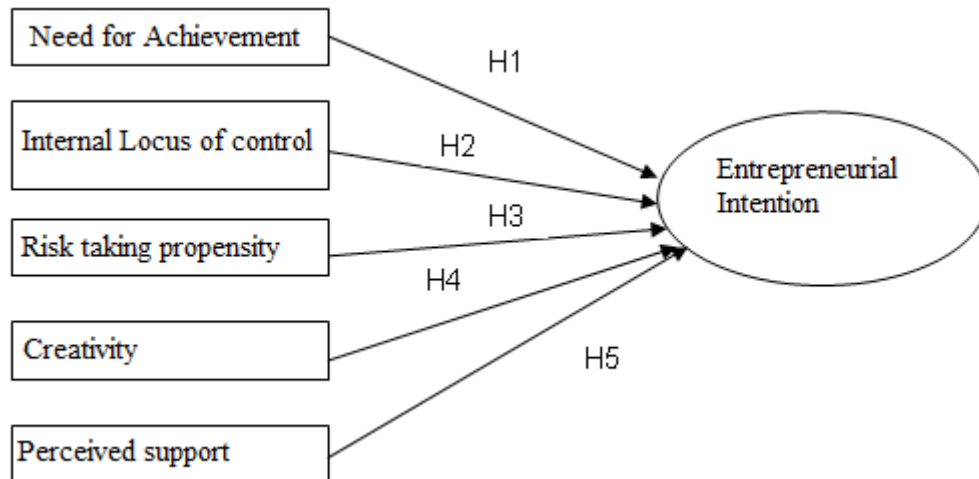
Contextual factors include a large set of factors that might influence the intention to engage in entrepreneurship activities. Among the important contextual factors include perceived support. There is evidence that business owners tend to have strong supporters whereby the support from their family seems to be particularly important. Support and encouragement from family members, relatives and friends have been shown to be associated with development of entrepreneurs (Davidson & Honig, 2003; Baughn et al., 2006). Support from family and friends are critical particularly in shaping the perceived desirability of a particular business venture as well as providing financial assistance.

### 3. Research model and hypotheses

#### 3.1. Research model

The research model for the present study was illustrated in figure 1.

**Figure 1: Research model**



#### 3.2. Hypotheses

H1: Need for achievement positively influences entrepreneurial intentions.

H2: Internal locus of control positively influences entrepreneurial intentions.

H3: Risk-taking propensity positively influences entrepreneurial intentions.

H4: Creativity positively influences entrepreneurial intentions.

H5: Perceived support positively influences entrepreneurial intentions.

### 4. Methodology

#### 4.1. Data collection

Data were collected using self-administered questionnaires. Printed versions of the questionnaires were distributed to undergraduate students at Vietnam National University. Out of the total 250 distributed questionnaires, 185 were returned, yielding a response rate of 74%. After discarding the observations with missing values, the final, usable dataset consisted of 180 observations. About 70% of the sample was male and 30% was female.

#### 4.2. Measure

All the variables in the research model were measured using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

*Entrepreneurial intention (EI)*: EI was measured entrepreneurial intention with 4 items adapted from Lüthje and Franke (2003). The coefficient alpha for this scale was .875.

*Need for Achievement (N-ach)*: N-ach was measured by a 4-item scale. The sample items are: “My goal is to overpass the achievement in the past” and “Achieve career success is one of my biggest goals”. The coefficient alpha for this scale was .731.

*Locus of control (LOC)*: LOC was measured using a 4-item scale. The sample items are: “Whether or not all goes well, I think mostly because of myself”, “I think that I must take responsibility for things happen to me”. The coefficient alpha for this scale was .827.

*Risk taking propensity (RTP)*: RTP was measured with a 5-item scale. The sample items are: “I rather take an uncertain opportunity yet has great outcome than a certain one” and “I’m not afraid of taking risk”. The coefficient alpha for this scale was .834.

*Creativity (CRE)*: CRE was assessed using three items adapted from Zhou and George (2001). The coefficient alpha for this scale was .742.

*Perceived support (PS)*: PS was measured by a 4-item scale. The sample items include: “My family, friends and relative strongly support me if I start a business”, and “Banks readily give credit to form new companies”. The coefficient alpha for this scale was .670.

## 5. Results

**Table 1: Correlation among variables**

Variable	1	2	3	4	5	6
<b>EI</b>	1					
<b>TRP</b>	0.462*	1				
<b>LOC</b>	0.379*	0.694*	1			
<b>CRE</b>	0.414*	0.615*	0.489*	1		
<b>N-ach</b>	0.613*	0.361*	0.566*	0.503*	1	
<b>PS</b>	0.428*	0.334*	0.34*	0.464*	0.577*	1

Note: N=180, \*:  $p < .05$

As the analysis result shows, the Pearson correlations between Entrepreneurial Intention (EI) and the five predictors were positive and significant. Furthermore, the relationships across 5 independent variables were quite strong and may cause multi-collinearity issues. However, variance inflation factor (VIF) values were all less than 2. As a result, all variables can be used in multiple regression analysis.

**Table 2: Multiple regression analysis**

Variables	Coefficient	S.D.	t	Sig.
<b>N-Ach</b>	0.232*	0.036	6.518	0.000
<b>LOC</b>	0.207*	0.036	5.776	0.000
<b>RTP</b>	0.295*	0.027	10.846	0.000
<b>CRE</b>	0.242*	0.034	7.048	0.000
<b>PS</b>	0.056*	0.021	2.611	0.009
<b>R<sup>2</sup></b>	.637			
<b>F</b>	23.511			0.000

Note: dependent variable: EI, N=180.

Results of the regression were showed in Table 2. The F value suggested a good model fit. Furthermore, 5 independent variables explain about 64% of the variance in the dependent variable. The data provided support for all 5 hypotheses in which Risk taking propensity had the strongest impacts on entrepreneurial intentions of Vietnamese undergraduate students. On the other hand, although perceived support significantly predicted entrepreneurial intentions, its impact was the weakest among the 5 predictors.

## 6. Discussions and implications

The results suggested that need for achievement, internal locus of control, and risk-taking propensity all strongly influenced the intention to start up a business among undergraduate students in Vietnam. These are the personality variables that are quite stable and difficult to change. Although McClelland was convinced that need for achievement can be taught and he developed training programs for business people to improve their level of achievement motivation, such programs require a lot of time and efforts. Similarly, there have been programs and practices designed for people to internalize the locus of control and alter their risk taking propensity, the effectiveness of these programs remains unverified. As a result, in order to encourage entrepreneurial activities among young people and students, programs and services should be directed to people with higher need for achievement, internal locus of control and those with higher risk-taking propensity.

On the other hand, creativity is a skill that can be taught. Encouraging “think outside the box”, letting the students solve problems in their own ways, designing courses which aim at improving personal creativity can be implemented at Vietnamese University. Moreover, creativity encouraging subjects such as art and music should be included in undergraduate curriculums.

Support for entrepreneurial activities is another important aspect that policy makers and programs administrators should pay attention to. During the past few decades, Vietnam has been a centralized economy which focused only on the role of state-owned enterprises. Together with that was the prohibition of private sector, which in turn, prevented the



development of entrepreneurship. After the economic reform in 1986, the entrepreneurial environment has witnessed a huge improvement. As a result, the role entrepreneurship has been recognized. The attitude of the Vietnam society towards self-employ and business start-up has also changed dramatically. GEM report (2014) suggested that nearly 76% of the survey respondents agree that successful entrepreneurs often have high positions in the society and are respected. Moreover, 86.8% of surveyed adults stated that they had heard the stories of successful entrepreneurs through the mean of communications. As such, more communication efforts should be put forth to alter the attitude towards entrepreneurship, especially to parents who usually prefer their children to work for the government or prestigious companies rather than self-employ or start-up a business.

Moreover, the same report suggested that among the conditions for entrepreneurial conditions in Vietnam, finance was rated as below average. In comparison with other countries in South East Asian, finance condition for entrepreneurship in Vietnam was also among the lowest. In order to provide financial conditions for entrepreneurial activities, fund for business start-up should be made available for students who have good business plans. Fund can be raised from both university and the outside enterprises.

## 7. Conclusion

The research confirmed the role of personal variables and perceived support in bolstering the entrepreneurial intentions of undergraduate students in Vietnam. The findings of the study may contribute to the further study of entrepreneurship in Vietnam and serve as a reference for policy makers and program administrators in designing entrepreneurial training and communication plan to supports and encourage new young business founders.

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