

Institution-Based Model of Entrepreneurial Intentions Using the Theory of Planned Behaviour

Abstract

The continued political and academic interest in small firms is allied to the belief that new independent small firm lay the foundation for innovation and growth in the private sector and wider socioeconomic developments (Alsos et al., 2006; Davidsson, 1995; van Gelderen et al., 2008). This interest is particularly relevant in today's business landscape plagued with diminishing opportunities for sustained formal sector employment and individual work preferences which increasingly favour self-reliance, self-direction and entrepreneurship (Hall, 2002; van Gelderen et al., 2008). All of which compel us to increase our understanding of these individuals and the factors that contribute to their entrepreneurial decisions. The entrepreneurship literature has mainly focused on intentions as the best predictors of individual entrepreneurial behaviours (Bird, 1988; Krueger et al., 2000). Entrepreneurial intention is defined as the cognitive representation or disposition for individuals to establish new independent small firms (Fini et al., 2009; Guerrero et al., 2008; Nabi, et al., 2006; Remeikiene et al., 2013), where the cognitive dimension is described as the complex and intricate mental processes of perceptions that underline action (Linan, 2008). It adopts the universal condition of intentionality for all human activity and helps us understand why and how individuals respond to situational factors and the incentives that motivate them to actively seek-out and exploit entrepreneurial opportunities.

To date, analysis of entrepreneurial intentions has considered individual-level and contextual-level factors (Bird, 1988; Fini et al., 2009; Remeikiene et al., 2013) but while the individual-level factors that feature in the intention behaviour relationship are well defined (Ajzen, 1991; Izquierdo and Buelens, 2011; Linan et al., 2011; Sanchez, 2011; Winkel et al., 2011), there is some contention on the nature and role of contextual factors that predicate this relationship (Zhao et al., 2005; Fini et al., 2009). The aim of this paper is to more fully conceptualise contextual-level factors and more clearly define their relationship with individual-level factors in entrepreneurial intentions.

Entrepreneurial intention studies are based mainly on Ajzen's (1991) Theory of Planned Behaviour (TPB) and Shapero and Sokol's (1982) model of the Entrepreneurial Event. However, in this research, we use the TPB because the "theoretical specification of the model is more detailed and consistent" (Fini et al., 2009, p. 11) and a great deal of research have been devoted to testing, critiquing and advancing it (Kim and Hunter, 1993; van Gelderen, 2008). The TPB serves chiefly as a prominent and relevant medium for incorporating an institutional perspective and being more critical of established intention-based theories which tend to offer a limited understanding of the relationship between contextual and individual factors in entrepreneurial intentions (Zhao et al., 2005).

In the original conceptualisation, the TPB defines three distinct precursors to intention: (1) an individual's attitude toward the target behaviour, (2) social norm or the perceived need

to conform to social requirements and (3) a perception of control over the performance of the target behaviour. This paper proposes a re-conceptualisation of the Theory of Planned Behaviour (TPB), incorporating an institutional component to give a clearer role for context in understanding entrepreneurial intentions. Following limitations in the original formulation of the model, the social norm component is replaced (or rather expanded) with institutions to reflect its status as only a key aspect of a much broader institutional perspective. Social norms is an insufficient conceptualisation, it is too narrow a categorisation to encompass all the forces acting on entrepreneurs. It fails to adequately incorporate and consider the more formal aspects of the institutional context that may drive entrepreneurial intentions. In theory at least, entrepreneurship is an inherently economic activity, one beset by formal rules and regulations, and as such we will expect this formal aspect of the institutional context to also play a key role in enterprise intentions. After all, "institutions, both formal (rules, regulations, and markets) and informal (social attitudes, and culture) are important for entrepreneurial activity" (Chircu, and Chircu, 2008, p. 4).

Having identified the institutional context as a fundamental all-encompassing contextual variable and a more-complete representation of exogenous factors, its influence on enterprise intention and thus behaviour is through its primer and moderator effect on attitude and PBC. We argue that attitudes and PBC are only a reflection of the formal and informal constraints of a particular institutional context that entrepreneurs confront. An institution-based view on entrepreneurial intention with the TPB therefore directs our attention to the dynamic interactions that take place between the institutional context, attitudes and perceptions of control where entrepreneurial intentions and actions are an outcome from such an interaction. It gives us an opportunity to more clearly establish the relationship between contextual and individual level factors in entrepreneurial intentions.

Another feature of the re-conceptualisation proposed is the inclusion of a feedback mechanism. This extension draws attention to the fact that intentions lead to actions and actions lead to (or entail) a reflection that in turn impacts upon values and beliefs as well as skills and context. Entrepreneurial behaviour has the potential to feedback into the institutional context and occasion a different set of attitudes and perceptions of control. North (1990, p. 5) argues that "specifically, both what enterprises come into existence and how they evolve are fundamentally influenced by the institutional context. In turn, they influence how the institutional context evolves". In this sense, we do not see the institutional context as external and static but as something dynamic, it is one that alters, and is altered by behaviour (Chen et al., 1998). In very simple terms, that means it is also important to look for that 'back arrow' i.e. ways in which what entrepreneurs are doing is changing either the formal (rules, regulations) and/or the informal (how others see and value enterprise) institutional context.

The re-conceptualisation attempts to be institutional (contextual-level) as well as behavioural (individual-level) and the effort should reward us with a richer and more complete understanding of how individuals come to be entrepreneurial. Robust knowledge of this kind can be crucial in the development of interventions that may influence entrepreneurial intention.

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