

Entrepreneurial Intention: Triggers and Barriers to Small Business Venturing in Khulna City

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Abstract

Entrepreneurship is a complex social behavior involving different endogenous and exogenous factors in its genesis. Importance of entrepreneurship in regional development has been highlighted both in classical and modern literature e.g 'Marshallian agglomeration' and 'industrial cluster'. The research focuses on exploring the triggers and barriers for setting up small business in Khulna city, a city in the southern part of Bangladesh, which is struggling for its economic revival. It has been found that greater economic return, working on the location of choice, propensity to investment own savings and desire for autonomy are among the highly ranked motives to start small venture. 'Need for a job' was ranked as the lowest among the statically qualifies motivation factors. Government regulations, scarcity of venture capital, high tax rate and difficulty in accessing formal financial institutions have been found as the high ranking barriers. Interestingly, lack of managerial skills, availability of qualified employees and role of the family have been reported as lowly ranked barriers to start new venture. Finding of this research suggests that the popular perception 'small business in developing country is a 'non or minimal growth sector' is more a stereotype. Small businesses have enough possibility to grow as a 'growth focused sector', as the small business possesses significant amount of managerial abilities and have positive frame of mind for taking risk, invest and grow.

Keywords: *Entrepreneurship, Entrepreneurial intention, Self-employment, Regional Development*

Introduction

Entrepreneurial intention is the search for information that can be used to help fulfill the goal of venture creation. The underlying premise is that some individuals possess the knowledge, skills and contacts that should allow them to be 'good' at entrepreneurship and recognizing this they form the intention to become an entrepreneur. In effect they form the impression that they possess the human resources and can gain access to the other resources needed to behave entrepreneurially.

In general, there are three necessary conditions for entrepreneurship and having access to resources is only one of them. The other two are the innate desire to be an entrepreneur rather than to be employed as an ordinary employee and access to that appears to be a viable market opportunity.

Shane (2003) suggests that psychological factors influence the likelihood that people will exploit new venture opportunities. These factors may be categorized into three general areas, viz: motivational factors, core self-

evaluation and cognitions. Motivational factors include need for achievement, risk taking propensity and desire for independence. Core self evaluation factors include locus of control and self efficacy. Cognitions and beliefs and attitudes that influence how a person thinks and makes decisions and are largely situational specific and much less stable over time than are motives or core self-evaluation (Shane, 2003 and 1997). In specific situations, the causation runs from beliefs to attitudes, to intentions, to behavior , (Fishbein and Ajzen, 1975; Bird, 1994). Conversely, behavior can be predicted by intentions, which in turn is predictable by attitudes and beliefs (Drnovsek & Erikson, 2005).

Finally, entrepreneurial intentions have been shown to depend on perceived self-efficacy (Boyd & Vozikis, 1994; Crick, Greene & Chen, 1998; de Noble, Jung & Erlich, 1999; Markman, Balkin & Baron, 2002). Self-efficacy is measured by the strength of an individual's belief that he/ she can accomplish a specific task or series of related tasks. It is related to self-confidence and individual capabilities and these are dependent on prior experience, vicarious learning, social encouragement and physiological issues (Bandura, 1982; Bandura & Wood, 1989). The stronger a person's self-efficacy in relation to a specific task or series of tasks, such as those involved in starting a new venture, the greater the probability that the individual will subsequently engage in that specified behavior (Crick, Greene & Chne, 1998).

This paper focuses on the appraisal of entrepreneurship intention to start a new venture in Khulna City Corporation (KCC) area. Khulna is the third largest city of Bangladesh. Khulna, once known for its industries, is now experiencing closure of most of its jute mills who were the major employers in the region. Other than the shrimp processing industry, no new industry has been established in the region in recent time. Shrimp industry, due to its size and seasonal nature, is not in a position to absorb and retrenched workers from the jute sector. Diminish of jute sector has also caused sufferings for the employments in other sectors positioned directly or indirectly on jute value chain. The fall of the jute sector has generally set a gloomy and fearing tone in the region. Schumpeter (1934)'s notion of 'creative destruction' leaves the explanation that economic growth causes by continuous emergence of new ideas and new enterprise as it contributes to nations, competitiveness. Gartner (1989) prefers a simplistic view of entrepreneurship as 'entrepreneurship is the creation of new organizations i.e. start-ups'. The view is seemingly incorporates the idea of newness in the way that random creation of start-ups leads to the emergence of innovative businesses, as only innovative one will survive in the long-term. Hebert and Link (1989) describe that entrepreneurship is linked with economic growth through new entry and innovativeness. Feldman (2001) notes that entrepreneurship and new firm formation is the central to linking economic development and entrepreneurship and particularity this is

important in regional level. Audretsch and Thurik (1999) have shown that an increase in the number of entrepreneurship leads to lower unemployment and hence through regional growth. If Khulna has to be revitalized, promotion of entrepreneurship (creation of new enterprises) is one of the keys. Under these considerations, this research explores the triggers and barriers of entrepreneurial intention in Khulna City, as far as the information available no such research has been ever under taken. This outcome of the research is expected to provide a ground for the policy makers to think about any entrepreneurship promotion program in this region.

This paper particularly focuses on exploring entrepreneurial perception to create a new venture and entrepreneurial motivations and barriers to start up a new business in Khulna.

Literature and Conceptual Framework

Entrepreneurial intention is to seek out information that can be used to facilitate the accomplishment of the goal of a new venture creation (Katz and Gartner, 1988). Krueger and Carsrud (1993) comment that intention is the 'single best predictor' of the entrepreneurial behavior. They also note that there are instances that the individual entrepreneurs have demonstrated success in their ventures even without an initial specific intention. Entrepreneurship research has concentrated to explore the influences of external environment on the motivation of the entrepreneurs to start-

up the entrepreneurial ventures (Aldrich, 2000). This perspective of the entrepreneurship research has been largely encouraged by the limited explanatory properties of entrepreneurial characteristic based explanation of the entrepreneurial venture creation, which is only interested in exploring the similarities across a diverse set of population (Aldrich, 1990). Researches (e.f. Secret. 1975; Kirchoff, 1991) have identified both task-specific and the context embedded social and economic factors e.g limited or blocked opportunity of growth in the current job. economic recession and unemployment and earning a realistic living to have influencing effect on the formation of insertion toward entrepreneurship including self-employment. If the intentions are strong enough, the individual realize the intentions into actions (Watson et al, 1994; Davies and Gibb, 1991; Brockhaus and Horwitz, 1986).

Bhave (1994) comments that there exists not a great amount of research focusing on the factors that lead to the development of entrepreneurial intentions and the relationship between entrepreneurial intention and new venture creation. Bhave (ibid.) proposed an interactive process model of new venture creation and tested it with the findings that some entrepreneurs are primarily motivated the outward forces, that generate opportunities, to create a venture, while others are more influenced by the internal (psycho and behavioral) forces. In both the cases, a certain state of mind of the individuals in respect to start a venture play the catalytic role to realize the

effects of the before said forces in the form starting-up.

Bird (1989) and Volery et al (1997)'s work suggest that both intrinsic and extrinsic motivation play significant role for venture creation and its success.

Research Methodology

75 small business enterprises have been surveyed with a structured questionnaire. The selected enterprises are micro enterprises in terms of their amount of capital investment and number of the employees other than the owner. The owners of 20 enterprises from production sector, 35 enterprises from trading sector and 20 enterprises from the service sector have been interviewed personally with a questionnaire containing 35 ordinal-scaled questions. Both new and old enterprises have been included in the sample. The range of the age of the surveyed enterprises is 23 i.e. 2 year is the lowest and 25 year is the highest. The collected data has been analyzed by applying exploratory factor analysis technique.

Results of Analysis

Motivating Factors

The respondents have reported that they were motivated by a variety of factors for starting venturing. Table1. shows that 'to earn more money' has received the most importance, while 'need to realize one's dream' and 'to be my own boss' have followed it. These findings are consistent with McClelland (1961)'s need for achievement (nAch), which is a widely

acknowledged as entrepreneurial characteristic. In this research, they have emerged as the stronger motivators to start a new venture.

The respondents were also motivated by a set of factors relating to independence or autonomy and others e.g. 'desire to challenge them self', 'working at a location of choice', 'investing personal savings', 'maintaining the family tradition' and 'enhancing social status' and 'need for job'.

These findings present strong evidences relating to the motivating role of the intrinsically oriented factors to start a venture.

Table 01: Motivating factors

Components	Loadings
To Challenge my self	.721
To realize my dream	.743
To be my own boss	.725
To earn more money	.798
To take a comfortable retirement	-.710
To work at a location of my choice	.563
The need for a job	-.682
To invest my personal savings	.466
To increase my status or prestige	.562
To follow the example of a person I admire	-.624
To maintain the family tradition	-.335

A descriptive analysis of the motivating factors (as presented in the Table-1) reveal that 79% entrepreneurs have reported that 'to earn more money' has motivated them to be an entrepreneur, which is the highest cited motivating factor to start a new venture. It has been followed by 'realizing my dream' to be my own boss' and 'to challenge myself'. However, 71% of the respondents have opined that 'to take a comfortable retirement' did not influence them that much to be an entrepreneur. Besides that, 'need for a job'. 'to follow the examples of a person I admire' have also come out as the less influential motivating factors.

Barriers

The respondents have been found to be hindered by a number of factors for not starting a business. Result of factor analysis of the barrier items is presented in Table 02. 'Bad economic indicators' has been ranked as the most restraining obstacle for starting a new business. It has been followed closely by the 'fears of having greater risk, and 'uncertainty of the future'. These findings are consistent with the previous work of Finnerty and Krzystofik (1985) who found those variable. The top five barriers include 'compliance with government regulations', 'bad economic indicators', lack of capital', 'uncertainty of the future'. 'High taxes and fee' and 'lack of suitable locations'. The respondents have described them as the major hindrances to set up a new venture. Besides lack of information about business, 'finding the right partner'. 'lack of marketing skills', 'difficulty in obtaining finance', 'lack of managerial or financial expertise', 'lack of savings or assets to invest in the business', 'lack of support from the family or friend', and 'findings suitable employees' have also been reported to hinder the new enterprise starting in the Khulna city.

Table 02: Barrier factor analysis

Components	Loadings
Lack of Capital	.629
The Uncertainty of the future	.492
Lack of information about Business Start up	.247
Finding the Right Partner	-.358
Lack of Marketing skills	-.610
Difficulty in obtaining Finance	.401
Lack of managerial or Financial expertise	-.671
Lack of savings or assets	.350
Task was more difficult than I thought	.223
Finding Suitable Labor	-.454
High Taxes and Fee	.501
Lack of Suitable locations	.461
Lack of Support From Family or Friend	-.540
Compliance with Government Regulations	.689

Table 02. presents the loadings of the indicators. These loadings confirm the previous findings regarding the perception of the respondents over the barriers to set up new enterprise in Khulna city. The indicators e.g. 'compliance with the government regulations' and lack of capital' have emerged as the most hindering components, which 'lack of managerial or financial expertise, and 'lack of marketing skills' have emerged as the most less hindering factors to start-ups business.

Discussion

This research looked for the intention of the respondents to create any new venture in Khulna City Corporation (KCC) area. This research has revealed that the respondents were motivated by both extrinsic economic factors (e.g. earning more money) and intrinsic factors (e.g. realizing the entrepreneurial dream and enjoying autonomy by running own business). Descriptive analysis tells that 79% of the respondents believe that earning more money is the most influential factor that contributed to their entrepreneurial intention, which is also supported in the previous works (c.f. Cross, 1981; O'Connor, 1983). On an average 73% of the respondents were motivated by the autonomy and self-actualization related intrinsic factors. This motivating potential of the autonomy and preference indicators were previously confirmed by Volery et al (1997). The other motivators revealed in this e.g. working in a location of choice and taking opportunity to invest one's savings and assets in more yielding way also fall in line with Volery et

al (ibid.) findings. Though Volery et al (ibid.) found 'need for job' as an important motivator, this research has not found so. This is an interesting finding of this research. Necessity based entrepreneurship has been widely perceived as the entrepreneurship with limited potential to grow, as Bosma and Harding (2006, p. 15) comment that 'are pushed into entrepreneurship because all other options for work are either absent or unsatisfactory. In a country like Bangladesh, where there the concept of the social security is quite absent, the indication of the opportunity based entrepreneurship is quite interesting. As in a developed country, where social security is satisfactory, necessity based entrepreneurship might be associated with growth (Heinonen et al. 2006) but in other case it's just the issue of subsistence. When the indication is there that is Khulna city, there are cases of opportunity based entrepreneurship, it needs further research attention. Promoting opportunity based entrepreneurship could be the source of regional economic generally, while its more true to a developing economy (Allen et al 2006; Rosa et al, 2006).

This research finding on the barriers of entrepreneurial venturing e.g economic downturn, lack of suitable location, government regulations, and lack of access to finance have corroborated the findings of the previous researched e.g. Blanch flower and Oswald (1998) confirms the role of the limited access to finance. A more recent finding from Nicolescu (2008), on the basis of the survey of 1178 small business owners in Rumania in 2007, also

confirm the findings of this research relating to the barriers for small business venturing. This research has revealed that managerial skills were perceived as the less important barriers for small business venturing in Khulna city, while El-Namaki (1990) note that managerial skills and competencies are prime entry and growth barriers for the small businesses. El-Namaki (ibid) reveals it in the context of the European nations. This point looks pretty interesting in Khulna context, as it was naturally expected the managerial skills and competences would come as major barrier. The possible explanation behind such finding could lie on the nature of the small business investigated and their natural requirement for the formal and specialized management skills and competencies. As this research has investigated the self-employment business units, it could be argued that need for managerial skills were quite low. Nevertheless, managerial skills and competencies are required for setting up phase and expansion phase of any business irrespective of size. The educational background of the respondents reveals that 56% of the respondent had high school or post high school diploma, which is quite a high rate of participation of the educated people in the self-employment in a developing countries context (Maloney, 2004). In this investigation, this participation of the educated group is contributing to the fulfillment of the minimum level of management competencies required for their ventures.

When the findings of this research are combined and put together to the context, the most important insight that develops is that small

business venturing in Khulna city can boost up the redevelopment need of the area. The most critical point for such estimation is that comparatively educated and skillful people are coming for business venturing willingly in this case. It's easier to promote and develop entrepreneurship in Khulna city in comparison to the other cities, where less number of educated people are willing to start own venture. When the minimization of the other barriers is taken care of small business can be more contributive to the development of the region.

Conclusion

The research has highlighted only on the motivation and barriers for small business venturing from the entrepreneurs perspective and has revealed some key motivational and prohibiting issues as perceived by the entrepreneurs. The finding of this research surely adds to store of the empirical knowledge about entrepreneurship promotion both from academic and practical point of view. There are scopes for further research in this issue with more improved methodology and wide conception. Particularly, the investigation into what made the educated people to start small business venturing willingly could be an interesting research.

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