Psychological Capital and Entrepreneurial Tendencies

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Abstract: This study is interested in psychological capital and entrepreneurial tendencies. Psychological capital is an individual’s attitude and tendency towards Hope, Optimism, Resilience and Self-Efficacy. It has been connected with several positive outcomes in individuals’ working life, e.g. career progress, work satisfaction, wage and well-being. However, in the relationship with entrepreneurial tendencies and especially with growth orientation there is still need of more studies. The study focused on the 457 adults’ psychological capital and entrepreneurial tendencies, most of them were women (64%). The correlation analyses produced several statistically significant results, indicating that psychological capital is connected to entrepreneurial tendencies and growth orientation. Psychological capital can be increased with interventions, thus the entrepreneurial education at the higher education institutes could consider focusing also on individuals’ psychological qualities and increasing for example students’ psychological capital with interventions.

Keywords: psychological capital, entrepreneurial tendencies, growth-orientation

1. Introduction

Entrepreneurship has long been acknowledged as the basic engine for economy and wealth creation and plenty of research has tried to solve the entrepreneurial qualities and orientation. The identification of individuals with entrepreneurial attitudes, and encouraging them at schools and higher education institutes could foster more people to entrepreneurial careers.

Entrepreneurship has typically been connected with characteristics like risk-taking, innovativeness and competitiveness and many researchers have reported that risk-taking attitudes and behaviors are distinguishing characteristics of entrepreneurship (e.g. Das and Teng, 1997; Douglas and Shepherd, 2002; Stewart et al, 1998). Innovativeness is important in order to create something new and succeed in changing situations. In relation to competitiveness, it has noted that aggressive competitive orientation is related to firm performance and business success (Covin and Covin, 1990; Matchaba-Hove et al, 2013).

Individual factors like age, gender and personality have been studied in relation to entrepreneurship. Age impacts so, that older people are significantly less likely to engage in entrepreneurial activity than younger individuals (Curran and Blankenburg, 2001; Hart et al, 2004), but on the other hand survival rates of businesses established by older entrepreneurs are higher than those of younger entrepreneurs (e.g., Cressy and Storey, 1995; Rotefoss and Kolvereid, 2005). Personality has an impact so that, some e.g. intuitive and thinking personality preferences are acting more as entrepreneurs than their opposite preferences sensing and judging (e.g. Brandt & Helander, 2020; Carland and Carland, 1992). Among individual variables that have shown to be related to entrepreneurial behavior are also of being a determinate person (Kim-Soon et al., 2013). Here the focus is also on individual factors, and the interest is to see if psychological capital has an impact on entrepreneurial tendencies and growth orientation.

In working life, it has been noted that psychological capital has a huge impact on the individuals’ experiences and success. There are multiple studies of its positive impacts on individuals’ life at organizations and work-related matters (Avey et al, 2010; Avey et al, 2011; Bergheim et al, 2015; Luthans et al, 2008; Peterson et al, 2011). Psychological capital illustrates individuals’ positive capacity in terms of the components of optimism, resilience, self-efficacy, and hope (Luthans et al, 2006). Even though there are some studies that have noted the connection with psychological capital and entrepreneurship, more studies are needed to confirm those. Earlier studies have been done with student samples, but here the data is from adults and also the study is interested in the growth factor of entrepreneurship.

1.1 Entrepreneurial attitudes; risk-taking and competitiveness

Entrepreneurial intention has been studied for example in the context of the Theory of Planned Behavior (TPB), originally formed by Ajzen (1991). Ajzen postulated that behaviour is a function of beliefs that influence a certain behaviour. These beliefs are considered important premises that determine 1) personal attitude, 2) intention and 3) perceived behaviour control. Previous studies have used TPB to predict certain variables that
are related to entrepreneurship. These variables include entrepreneurial intentions, entrepreneurial behavior and entrepreneurial skills and attitudes. Entrepreneurial skills and attitudes are regarded as necessary antecedents in the process of effective entrepreneurship (Zahra, 2005, p. 25). Over the past decades, scholars have been largely interested in exploring this construct of entrepreneurial intention (Fayolle and Liñán, 2014) and also indicate that intention is an accurate predictor of planned behavior and incase of entrepreneurship, people with higher entrepreneurial potential usually have more entrepreneurial intentions (Conner and Armitage, 1998; Jakopec et al., 2013).

The ability to take risks has been defined a crucial quality for entrepreneurs (Frishamme and Andersson, 2009) and multiple research indicates this (e.g. Begley and Boyd, 1987; Carland et al, 1995; Pekkala et al, 2019; Zhang et al, 2015). For example, according to Karabey (2012), entrepreneurs’ risk preference was found to be higher than expected. Risk preference can be defined as the general tendency or the desire to pursue or avoid risks (Sitkin and Pablo, 1992). Also, risk reflects the degree of uncertainty and potential loss associated with the outcomes which may follow from a given behavior or a set of behaviors (Forlani and Mullins, 2000). Gunawan, Manatunge, and Pratiwi (2013) noted that risk-taking orientation reflects an individual’s tolerance of uncertainty and the ability to become involved in and to make risky investments. The important fact about risk-taking is not just the resources to be committed but also the high probability of failure (Wiklund and Shepherd, 2003).

Some research indicates that with risk-taking ability the need for autonomy in decision making is also needed. The stronger the risk-taking tolerance of the individual has, and the stronger is their preference for decision-making autonomy, the stronger is their intention to be self-employed (Douglas and Shepherd, 2002). The intervention study indicated that people can learn to take risks (Kyrö and Tapani, 2008). Gunawan et al. (2013) noted that risk-taking orientation reflects an individual’s tolerance of uncertainty and the ability to involve in and make risky investments. Other authors have shown that highly risk-minded entrepreneurs are generally willing to take on high-risk ventures for the chance of high returns (Covin and Slevin, 1989; Lumpkin and Dess, 1996).

Competitiveness drives efforts which improve performance (Krishnan et al., 2002) and it is associated with the adaptation of deep learning strategies (King et al., 2012) and related to learning effort as well as general self-efficacy (Wang and Netemeyer, 2002). Many studies have focused on entrepreneurial orientations and the relationship of aggressive competitive orientation to firm performance and business success (Covin and Covin, 1990; Matchaba-Hove et al, 2013).

### 1.2 Psychological capital and entrepreneurial tendencies

Psychological capital serves as a job-related positive psychological resource within an individual’s cognitive and attitudinal perspective (Luthans et al, 2007). It is a construct of further development and also decreasing (Gardner et al, 2005a), in contrast to most other personal traits, which are seen as unchangeable natural tendencies. Several studies have focused on the quantitative results of leadership’s, trainings’ and interventions’ impact on psychological capital (Luthans et al., 2006).

A definition of psychological capital is “an individual’s positive psychological state of development that is characterized by: (1) having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; (2) making a positive attribution (optimism) about succeeding now and in the future; (3) persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed; and (4) when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success” (Luthans et al, 2007, p. 3). Self-efficacy identifies an individual’s belief about his or her ability to successfully execute a specific and even sudden task. Optimism is a more general positive view of the world and expectation that things will turn to be positive rather than negative (Luthans et al, 2010). Resilience is an individual’s adaptive response to negative events and setbacks, promoting well-being or protecting against risk factors (Reich et al., 2010). Hope is goal-directed thinking in which people perceive that they can produce routes or pathways to desired goals. Goals may vary temporally from short to long term, but they must be of sufficient personal value for a person to engage in them (Lopez et al, 2003).
Earlier studies indicate that psychological capital has a positive impact on individuals’ satisfaction, performance, and commitment at organizations (Avey et al, 2011; Luthans et al, 2005; Luthans et al, 2008; Peterson et al, 2011). For example, Karatepe and Karadas (2015) found that employees scoring high on psychological capital are more satisfied with their jobs, careers, and lives. It has also been associated with positive career mobility (Järström and Brandt, 2017) and objective career success measured in wages and hierarchical career progression (Järström et al, 2020). At the organizational level, it is connected to organizational performance (Hmieleski and Carr, 2008), business excellence (Hsu et al., 2014) and competitive advantage (Youssef and Luthans, 2010).

In relationship with entrepreneurship, only few studies exist with student samples (Contreras et al., 2017; Ebhrem et al., 2019). According to the study of Contreras et al. (2017) with the sample of 100 persons, the results indicate that entrepreneurial intention is related to psychological capital with dimensions of self-efficacy and resilience and as an integrated construct as a whole. A study by Ebhrem et al (2019) highlighted the importance of psychological capital in explaining why some students are more willing to start-up business than others. Indeed, the higher the student’s psychological capital, the higher the intention to start-up a business.

Concerning psychological capital dimensions there are more studies in relation to entrepreneurship. For example, the relation between self-efficacy and entrepreneurial behavior has been widely established (Akmaliah and Pihie, 2009; Chandler & Jansen, 1997; Chen et al, 1998; Saeid et al., 2011). Also optimism (Laguna, 2006; Lingfei and Li, 2011; Robledo et al, 2015) and hope (Laguna, 2006) are predictors of entrepreneurial intention and hope indicates entrepreneurs’ satisfaction with business ownership according to Jensen and Luthans (2002). According to these studies it seems like persistence is the only dimension which has not been studied as a relationship with entrepreneurship. Here this study is focused on the entrepreneurial tendencies and growth mindset, which further gives insights on the individual factors impact on entrepreneurship.

2. Method

2.1 Sample

The data was gathered in 2021 – 2022 of various occupational fields at open university and updating education courses related to leadership and self-understanding. 457 persons participated in this study. They all have higher education background, but the detailed background information of gender and age were not gathered. Respondents were middle managers in various fields, e.g. health and social care, construction, IT, administration of education, restaurants and nutrition etc. The data was gathered in the before the course did began, thus most of them did not have understanding about psychological capital when the data was gathered.

2.2 Questionnaire of psychological capital

The questions were either-or, so respondents should be sure of their quality or tendency in this regard. At the same time, this was the first time to measure psychological capital with this kind of measurement and to test how it works. The questions of psychological capital were analyzed with factor analyses (Varimax) and dimensions and questions were formed accordingly. The questions were coded either-or getting values 0 or 3, where three was meaning more positive response in regard to psychological capital.

Self-efficacy was measured with five questions, e.g. “Challenging situations make me very insecure – I trust in my own capability even in challenging situations”. Resiliency was measured also with five items, e.g. “I tend to think a long time about the shocks I have experienced – I recover and get over fast of the shocks I have experienced”. Optimism consists of three items, e.g. “I tend to be suspicious towards new things – I tend to think that things turn out to be in the best possible way”. Hope consisted three also, e.g. “At this moment my goals are a little bit lost – At this moment I am aspiring to achieve my goals with high energy”. Alphas were good, minimum was at Hope 0,553 and the best alpha was at Resilience 0,748.
2.3 Questionnaire of entrepreneurship

Entrepreneurial orientation was measured with five items which measured risk-taking and growth-orientation capacity. Factor analyses with Varimax were made to ensure that those items belong into different groups. Three items were measuring risk and two items growth-orientation. Risk-taking was measured with four items:

- When working as employee, the best thing is safety – you do not need this kind of safeness as such
- Do you participate only on that kind of projects that the success is sure – or – if you wish to success you need to take risks
- Would it be better to avoid solutions which demand risk-taking as much as possible / If you want to be better than your competitors, you must have courage to take risks
- You would never start a business, unless you would be sure of its success / You cannot be sure about success, but you could still start

Growth-orientation was measured with two items:

- When owning a company, you would try to keep it as a living /You would try to do firm as the best in the field
- Your firm’s real purpose would be of gaining living for you and your family /You would like to get it grow and gain significant position in the field

Cronbach’s alpha of risk-taking was 0.571 and for growth-orientation 0.709, so they fulfill the demands, and the latter one can be regarded as very good value.

3. Results

The highest mean of psychological capital was self-efficacy (mean 2.7), secondly optimism (mean 2.4), thirdly hope (mean 2.3) and the lowest resilience (mean 1.7).

Correlation analyses indicated that three dimensions of psychological capital, namely: self-efficacy, resilience and optimism were related to entrepreneurial qualities concerning risk-taking. Concerning growth orientation all dimensions of psychological capital were related to growth orientation (see Table 1).

Table 1: Correlation analyses

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Self-Efficacy</th>
<th>Resilience</th>
<th>Optimism</th>
<th>Hope</th>
<th>PsyCap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Tendencies</td>
<td>0.176**</td>
<td>0.118*</td>
<td>0.164**</td>
<td>-0.014</td>
<td>0.149**</td>
</tr>
<tr>
<td>Growth</td>
<td>0.182**</td>
<td>0.177**</td>
<td>0.121**</td>
<td>0.180**</td>
<td>0.237**</td>
</tr>
</tbody>
</table>

4. Conclusions

Results clearly indicated that psychological capital has connection to entrepreneurial tendencies and growth-orientation with people of higher education. In case of growth-orientation all the dimensions were correlated, which indicates that concerning entrepreneurial competitiveness and growth the psychological capital has even more impact.

In the regard of dimensions, it may be that more optimistic persons can recognize business opportunities where others see chaos, contradiction and confusion (Wernsing, 2014) and hope helps people to set the goals high and see different paths to achievement (Kangarlouei et al, 2012). Resilient persons can take risks and bounce-back from failures and adversity (Sebora, 2017). Zhao et al. (2005), argue that previous experience, risk propensity and formation have an influence on both intentions and self-efficacy as an entrepreneur, as this is about beliefs and perceptions.

Entrepreneurial tendencies and attitudes are important in any occupation. For example, according to European Commission (2006) entrepreneurial competence is about mindset and work orientation, which involve the ability to innovate and take risks and to initiate, plan, and lead actions, which further involves
creativity and an innovative approach in order to reach the set goals. People who have entrepreneurial mindset towards work are key personnel in the startups and growth companies. Thus, according to this study it is important to have good psychological capital in order to enhance positive and innovative work-related attitudes. Psychological capital can be enhanced by interventions (Peterson et al, 2011; Russo and Stoykova, 2015; Wang et al, 2014) and thus it should be taken into consideration in the higher education courses to enhance students’ capabilities for the future. For example, courses concerning leadership, marketing and selling are the areas where the entrepreneurial attitude is important. At the minimum sharing information about the psychological capital and giving space for individual reflection can enhance individuals’ attention and strengthening these important qualities.

References


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