

EXTENDED ABSTRACT

PERCEIVED BARRIERS OF EMPLOYEE TRANSITION TO ENTREPRENEURSHIP: A LITERATURE REVIEW AND RESEARCH AGENDA

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Abstract

This paper aims to understand the perceived barriers in shaping the Employee Transition to Entrepreneurship (ETE) in Sri Lankan context. Based on a systematic literature review, the authors identified the five factors namely; Demographic Factors, Motivational Factors, Human Capital Factors, Environmental Factors and Behavioural Factors as the perceived barriers in ETE in the shed of prevailing theoretical and empirical inventories. Age, gender, educational level, marital status, occupation and family are the decisive demographical factors that might be a perceived barrier for the ETE. Financial motive, intrinsic motive, passion and fear of failure may hamper opportunity evaluation and exploitation motives by lowering perceptions of the desirability and feasibility of entrepreneurial opportunities. Entrepreneurs equipped with appropriate human capital have a greater chance to survive weak institutions and successfully run their business ventures. Moreover, environmental factors refers to the government support, financial knowledge and skills, market knowledge, government programs, registration and credit requirements, and availability of supportive services. These found influencing people's willingness and ability to undertake entrepreneurial activities and the availability of assistance and support services that facilitate the start-up process. The Social Learning Theory helps in identifying the fundamental determinants of entrepreneurial behaviour by how do the observations and models' career choices influence the entrepreneurial career decision. Future researches are recommended in the areas of scale development for identified factors of ETE, empirically testing the same individually or collectively, and to compare such empirical evidences in the context of developing and developed countries.

Keywords: Entrepreneurship, employee transition, perceived barriers, systematic literature review

1. Introduction

Entrepreneurship is recognized as the engine of economic development of any country by stimulating innovations and enhancing the living standard through wealth creation. Entrepreneurship is a process that involves identifying, evaluating, and exploiting the opportunities to generate future goods and services (Shane & Venkataraman, 2000). The Entrepreneurial Intention (EI) of a person is driven by many sources such as parental entrepreneurial background (Dunn & Holtz-Eakin, 2000; Rachmawan, Lizar & Mangundiaya, 2015; Antawati, 2017) and organizational employment (Carroll & Mosakowski,

1987; Uusitalo, 2001; Tennakoon & Lasanthika, 2019; Wijerathna & Thisera, 2018). The majority of the entrepreneurs are the “organization products” or former employees of recognized entities (Freeman, 1986). They are capable of identifying the entrepreneurial opportunities effectively due to the experience of the market exposure. The employment experience, the technical know-how, and the business networks developed through the employment fertilize the EI of them (Stuart & Sorenson, 2003).

The Employee Transition to Entrepreneurship (ETE) is defined as leaving one organization to find another (Dobrey et al., 2007). It is reported that most of the entrepreneurs are directly or indirectly former employees of the existing organizations (Gacheru, 2007). ETE is driven by many reasons, of many were tested in the Western context. Sorensen and Fassiotto (2011) stated that the EI is formed in a person’s mind when he or she is employed in a well-established organization and gains knowledge, social capital, and skills. In addition, the co-workers who were entrepreneurs earlier also encourage peer EI (Nanda & Sorensen, 2010). The EI is encouraged with the employment experience as the new business owners are encouraged to assume risky moves, secure venture capital funds, and capture new market opportunities with the past employment relationships. The former employees are becoming entrepreneurs due to their own personal characteristics and firm-specific factors. Gompers et al., (2005) suggested the location, age, diversification strategies of the incumbent firms encourage the ETE. It has been evident that the social context; the organizational environment affects the individual choice to be an entrepreneur (Sorenson & Sharkey, 2014).

The macro-environmental forces also trigger the need for new business creation. It is predicted that technological advancement may change the type of employment, and it has been predicted that full-time employment would be reduced by 50% by 2022 (Future of Jobs, 2018). Therefore, the formation of new ventures has become critical for sustaining the employability of the country.

The number of establishments found dropping drastically over the period from 2013/14 (Department of Census and Statistics, 2017). Furthermore, by the year 2020, 57.6% of the SL labour force are working as employees and only 2.5% as employers. Yet, the employer rate of countries like Indonesia (15.3%), Bangladesh (11.6%), and China (7.5%) appear relatively high (Lee & Mizra, 2017). Therefore, it is apparent that SL citizens are generally reluctant to become entrepreneurs and there is a greater vacuum in entrepreneurial development and new business start-up intention as a means of career choice (Weeratunge, 2010).

Usually, employees who are dissatisfied with their current employment status may seek other career options. Thus, in SL, job mobility is very high both within and across the industries (Tennakoon & Lasanthika, 2019; Wijerathne & Thisera, 2018). Even though they seek career options, the alternative may not be an “entrepreneur” but “an employee” in another entity (Antawati, 2017). The reasons for not choosing entrepreneurship as an alternative career option are known as Perceived Barriers of ETE (PBETE). The PBETE are sufficiently tested in western countries but in developing countries, empirical shreds of evidence are hardly found (Velamuri et al., 2005; Stuart & Ding, 2006; Rachmawan, Lizar & Mangundjaya, 2015; Antawati, 2017; Tennakoon & Lasanthika, 2019; Wijerathne Thisera, 2018). Based on the preliminary review of existing literature, five main factors namely; Demographic (Douglas Fitzsimons, 2013), Motivational (Collins et al., 2004), Human Capital (Millan et al., 2014), Environmental (iEduNote, 2020) and Behavioural factors (Salvin, 2008) were identified as the PBETE. This paper then aimed at presenting the review of literature pertaining to those main PBETE in the shreds of available literature.

2. Methodology

A systematic review of existing literature pertaining to perceived barriers for ETE was staged. Approximately, 146 research papers were included in the final review (out of total 308 searched articles) published in SSCI journals (oldest 1959 – newest 2020), accessed mainly through e-databases of Emerald, JSTOR, OXFORD, EBSCO, Science Direct and Taylor & Francis, based on the recom-

mentation by Fisch and Block (2018). The terms “factors”, “determinants”, “constraints”, “barriers”, “motives” and “drives” for “employee transition to entrepreneurship” were searched while any association of these terms merely with entrepreneurship was excluded. Following that, the researchers ran backward and forward searches based on the article’s citations and analyzed the findings (Levy & Ellis, 2006). The papers were chosen based on the paper’s scientific merit as well as the source’s trustworthiness. Further research should focus on English-language publications because they have a far higher impact factor than non-English journals.

Thematic analysis resulted in detecting a number of themes that describe the constraints towards ETE out of which five main themes were identified as the main roadblocks that spelled out the ETE. They are Demographic, Human Capital, Motivational, Environmental, and Behavioural factors. The concept and measurement properties of each of these factors were qualitatively assessed and presented narratively in the results and discussion part of this paper while the conclusion part highlighted the implications and future research agenda.

3. Results and Discussion

3.1 Perceived Barriers of ETE

ETE proved to bring many positive outcomes for many stakeholders. Individual entrepreneurs enjoy increased income in terms of profit (not as salary), the prestige of owning a business, improved quality of life, sense of self-esteem and satisfaction, social capital and much more (Moore & Muller, 2002; Sorenson & Audia, 2000; Stuart et al., 2003; Stuart & Ding, 2006). Nevertheless, they suffer from the risk of failure, dysfunctional behavioural outcomes such as tension, stress & aggression, constraints in the areas of financial, market/competition, technological, managerial, human capital, and legal political (Venkataraman & Shane, 2000; Aldrich, 1999; Shane, Locke & Collins, 2003). On the other hand, ETE often brings positive outcomes to the economy by means of growth in the number of establishments, improved GDP resulted from the operations of the new ventures, enhanced employment opportunities, lower industry competition, and enhanced social wellbeing due to the upliftment of the economy. On the contrary, employee mobility showed poor penetration towards ETE, particularly in the Sri Lanka context. Literature support attributes these lapses to the PBETE by employees. Based on the detected main themes of the thematic analysis, a review of five main PBETE are next presented.

3.2 Demographic factors

Personal characteristics such as age, gender, income level, educational level, etc, are usually represented as demographic factors. Out of these, age was detected as leading PBETE. Elders tend to be more reluctant to become entrepreneurs as compared to younger ones though they have experience and expertise (Curran & Blackburn, 2001; Weber & Schaper, 2004; Blanchflower, Oswald & Stutzer, 2001). Moreover, elders hesitate to go for long-term and uncertain investments (Fung, Lai & Ng, 2001). Hence, age has been revealed to relate with ETE inversely (Hatak, Harm & Fink, 2014).

Gender has been cited as a PBETE in early studies (Oswald & Stutzer, 2001). However, women’s entrepreneurship was significantly apparent in the last two decades, especially in the services and retail sectors (Hisrich & Brush, 1983; Neider, 1987). But women over 50 years tend to exhibit traditional gender models rather than challenging entrepreneurial roles as opposed to males (Hatak, Harm & Fink, 2014). But it was positively related to EI in different contexts, especially in the aged population. The individuals with postgraduate qualifications tend to have an entrepreneurial mindset (Slujis, Praag & Vijverberg, 2008), whereas the graduates with classes will not tend to be entrepreneurs since they get attractive employment opportunities. They perceive there is a high opportunity cost of being entrepreneurs (Ghazali, 1995). As such, literature support is sufficiently presented for age, gender, and education level as PBETE.

3.3 Motivation factors

Entrepreneurial motive is the desire to organize, manipulate and master organizations, individuals or ideas quickly and independently as possible (Johnson, 1990). People with high entrepreneurial motivation tend to be entrepreneurs (Shane et al., 2003) and it is explored with different models as cognitive models (Segal et al., 2005) and process models (Praag & Cramer, 2001). Extrinsic motivation is the most dominant type of motivation which is driven by economic and financial incentives (Benzing et al., 2009). But studies also explained the role of noneconomic and intrinsic motives as a drive of entrepreneurial motivation (Edelman et al., 2010; Westhead & Wright, 1998). In addition, entrepreneurial passion is also a powerful motive of start-ups (Cardon et al., 2013). However, the fear of failure is negatively related to entrepreneurial motivation (Arenius & Minniti, 2005; Langowitz & Minniti, 2007). Accordingly, the motivational factors can significantly address the ETE.

3.4 Human capital factors

Human capital is defined as shaping knowledge and skills from previous experience and education (Teixera & Forte, 2009). It is evident that human capital is positively related to start-ups, survival, and performance (Cooper & Gimeno-Gascon, 1992; Millan et al., 2014). Knowledge and skills related to entrepreneurship are significant determinants of the ability to identify, evaluate and realize business opportunities (Chowdhury et al., 2019). Further, Qian et al. (2014) stated that human capital is the main source of entrepreneurial absorptive capacity that impacts the success of new firms. Moreover, formal education is identified as a useful skill for entrepreneurs (Davidsson & Honig, 2003) and a greater level of education is positively related to the intention of the business founder (Delmar & Davidson, 2000; Rotefoss & Kolyereid, 2005). Hence, human capital was the next PBETE that can affect the decisions of an employee to move into an entrepreneur.

3.5 Environmental factors

Environmental factors refers to the government support, financial knowledge and skills, market knowledge, government programs, registration and credit requirements, and availability of supportive services that influence the individual's EI (Gnyawali & Fogel, 1994). These forces may have both positive and negative effects on entrepreneurship (iEduNote, 2020). The financial availability has a significant impact on EI (Nengomasha, 2018) and lack of finance and the difficulties in the financial system are considered as the main obstacles among the potential entrepreneurs (Neneh, 2016; Engelschiøn, 2014; Aslam & Hasnu, 2016). Government support found to influence EI in many ways. Vesper and Albaum (1979) stated that unfavourable business taxes, taxation laws are determinants of EI (Galvin, 1978). Furthermore, the presence of entrepreneurs with experience and successful role models transmit positive messages to potential entrepreneurs (Gnyawali & Fogel, 1994). Skilled labor in a particular area, proximity to suppliers, accessibility to new markets, and the availability of supportive services (e.g. accountants, tax experts, lawyers, consultants) have a significant impact on the decision to start a new business (iEduNote, 2020). Thus, the environmental factors are identified as another significant PBETE.

3.6 Behavioural factors

Behavioural factors were identified in terms of Social Learning Theory (SLT). SLT talks about how people observe other people's behaviour and imitate such behaviour. The SLT dates back to 1968 (Bandura, 1968) and later developed by many authors (Mahoney, 1974; Mischel, 1973; Davis & Luthans, 1980). SLT states that when people observe others, they develop ideas on identified behaviours. It also highlights how the self-observation of the surrounding can influence the behaviour of individuals (Salvin, 2008). SLT offers insight into the cause-effect relations of the Theory of Planned Behaviour (TPB). It provides the answers to "what influences people to develop entrepreneurial

behaviour” and “what antecedents of entrepreneurial behaviour”. Also, the SLT provides the answer to the question “why do people happen to enter observational learning from a valued model that is engaged successfully in activities related to self-employment” (Krumboltz et al., 1976). The individuals examine whether success can be reached by being self-employed and whether he or she possesses the necessary competencies to be successful in this career path. Accordingly, the individual may encourage or discourage in his or her self-employed decision. There are many findings that support family background and self-employment (Scott & Twomy, 1988; Romer-Paakkanen & Rauhala, 2007; Wang & Wong, 2004; Benett & Dann, 2000). Hence, behavioural factors were also recognized as one theme under the PBETE. The reviewed literature aided in unearthing five main themes falling into the group variable; PBETE. Accordingly, it is confirmed that the identified five main PBETE are bearing sufficient theoretical and empirical support to affect the ETE decisions of potential entrepreneurs in the context of developing countries.

4. Conclusions

This paper aimed to review the perceived barriers for ETE in the context of Sri Lanka. A systematic review of prevailing literature succeeded in detecting five main factors that proved to be affecting the ETE. Accordingly, the existing literature of demographic, motivational, human capital, environmental, and behavioral factors were reviewed to assess their theoretical development to deploy them as the co-constructs of PBETE. The review concluded that all these five factors have sufficiently theorized and empirically examined to confirm as the co-constructs of perceived barriers for ETE. As such the study was succeeded in exploring the phenomenon of employees leaving their companies and starting their own businesses or becoming self-employed. The findings aligned with the previous works in ETE (Özcan & Reichstein, 2009; Hyytinen & Maliranta, 2008; Henley, 2007; Dobrev Barnett, 2005; Tennakoon & Lasanthika, 2019; Wijerathne & Thisera, 2018). Concludingly, the leading barriers in the decisions to quit and to start a business or choose self-employment were detected.

5. Implications of the Study

Implications of the study include detecting the five main factors (demographic, motivational, human capital, environmental, and behavioural factors) that were theoretically explained and empirically tested as the PBETE individually. Thus, any future study would come up with an integrated model of all five factors to predict the potential entrepreneurial behaviour of the employees. Next, both quantitative and qualitative methodologies are recognized as exemplary models to approach the association. The search didn't find any mixed-approach Dann inquires. Considering both the subjective and objective nature of the variable, mixed approach studies, are proposed for further inquiries. Additionally, a deficiency of comparative studies is noted which is again regarded as an effective research agenda. Context-specific studies also in need as far as the diversities among the macro-environmental factors are evaluated between developed and developing countries.

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