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Paper Title: What Motivates Nascent Entrepreneurs to Establish Tourism Ventures?

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What Motivates Nascent Entrepreneurs to Establish Tourism Ventures?

Abstract

Tourism enterprises represent a substantial percentage of the GDP in most countries. They employ a significant number of people and can be the mainstay industry for many regional communities by attracting visitors – tourists – to venture to such locations and who, in the process, inject money into local economies. Thus, understanding how to make tourism enterprises more sustainable and what attracts entrepreneurs to establish tourism enterprises is crucial from an economic perspective. Within this context, this research examines what motivates tourism entrepreneurs to establish tourism enterprises. It examines two groups – nascent tourism entrepreneurs and nascent non-tourism entrepreneurs – to better understand what motivates them to establish their enterprises. It also examines to what extent underlying motivations are related to entrepreneurial self-efficacy and the connectedness between entrepreneurial self-efficacy and entrepreneurial intentions.

Introduction

Tourism is a major global driver of economic activity generating billions of dollars annually. In Australia, nearly 30% of businesses are tourism oriented and nearly all of these (99%) are defined as being small to medium sized tourism enterprises (SMTEs) (Tourism Research Australia, 2009). The recognition of SMTEs as being important generators of employment and economic wealth has led to an increasing research interest into tourism firms and tourism entrepreneurs (see, for example, Hallak, Lindsay, and Brown, 2011) with a number of dedicated international quality ranked, scholarly, tourism journals being established over the years (see, for example, *Tourism Analysis*, *Tourism Management*, *Journal of Sustainable Tourism*, *Annals of Tourism Research*).

There is no universal definition of tourism since tourism enterprises are diverse but tourism can be thought of as the activity that occurs when individuals travel – when people move from one place, region, or country outside their usual environment (World Tourism Organisation UNWTO, 2012). This can include the planning of the travel, the actual travel, and the activities and interactions undertaken during the travel (to and from a destination), and when at a destination(s). Some of the activities involve tourism expenditure.

Whereas most prior SMTE studies have focused on the SMTE firm as the unit of analysis, this exploratory research focuses on the SMTE entrepreneur. Tourism firms are established and developed by individual tourism entrepreneurs (Koh and Hatten, 2002) and with the tourism sector being dominated by SMTEs, these firms can be thought of as extensions of the individual entrepreneurs (see, for example, Lumpkin & Dess, 1996).

The research looks at nascent tourism entrepreneurs and their motivations for wanting to establish tourism-related enterprises. There is evidence to suggest that many tourism entrepreneurs involve their families in their businesses (Getz and Carlsen, 2005; Bensemann, 2012). Family businesses are regarded as the most complex form of business because both business and family issues need to be considered when developing the vision and related strategies (Neubauer and Lank, 1998). This research examines to what extent family collectiveness reasons (including employment of family members, creating something for future generations, helping the family get ahead, and the provision of family support) are motivating factors for nascent tourism entrepreneurs. Alternatively, do more individualistic motivations underpin attracting nascent entrepreneurs to the tourism sector such as wanting

do set up a tourism business to become wealthy, to achieve a personal vision, to prove that you can do “it”, and/or for personal satisfaction reasons.

To answer these questions, we examine the responses from two groups of nascent entrepreneurs: Those who want to establish tourism businesses and those who want to establish non-tourism businesses.

Conceptual Model

Exhibit 1 presents the conceptual model that underpins this research that shows inter-relationships among intrinsic motivations, extrinsic motivations, entrepreneurial self-efficacy, and entrepreneurial intentions. Entrepreneurial intentions is the ultimate dependent variable in the model. It is an endogenous latent variable and is hypothesized to be influenced by the three exogenous latent variables in the model.

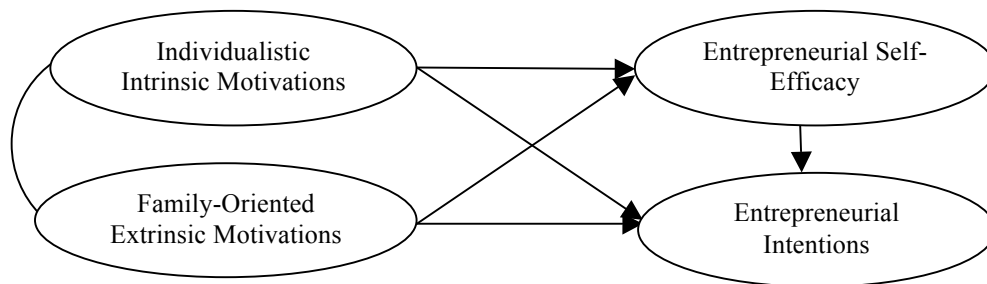


Exhibit 1: Conceptual Model

Collectively, the conceptual model and the related hypotheses support the over-arching question addressed in this research: What motivates nascent entrepreneurs to establish tourism businesses? Since tourism is such an important economic activity globally, developing a better appreciation of the motivations of those attracted to the tourism industry may assist industry and government bodies to develop initiatives that can target those who are more likely to establish sustainable SMTEs. In answering this question, we adopt Shane and Venkataraman’s (2000) description of entrepreneurship as the process by which “opportunities to create future goods and services are discovered, evaluated, and exploited.” (p. 218).

Entrepreneurial Intentions: Intentions involve a cognitive state temporally and causally existing prior to some form of action or behavior (Krueger 2000). Intentions are the single best predictor of planned behaviour (Ajzen, 1987, 1991; Bagozzi, Baumgarten, and Yi, 1989) and are useful where behavior is uncommon, hard to observe, and where unpredictable time delays occur (Krueger, Reilly, and Carsrud, 2000).

Intentionality is central to entrepreneurial behaviour (Bird, 1988, 1989) and is a critical facet associated with an emerging new venture (Katz and Gartner, 1998). In this research, we examine entrepreneurial intentions in terms of the nascent entrepreneur’s intention to start a new business.

Entrepreneurial Self-Efficacy: Self-efficacy is a belief in one’s abilities to be able to complete a specific task and/or achieve a particular goal. It is a belief in oneself that something specific can be achieved (Bandura, 1977, 2001). Thus, self-efficacy is associated with goal-oriented behaviour (Bandura, 1977, 2001; Baum and Locke, 2004).

Entrepreneurial self-efficacy (ESE) involves a belief that an individual is capable of successfully performing a set of typical entrepreneurial activities (for example, starting a business venture). It can influence both the underlying intentions to engage in that behaviour (Krueger, 1993) and the behaviour itself (Chen, Greene, and Crick, 1998). Thus, it is a task specific psychological concept. As a belief, it is moderately stable and it has the potential to be a distinct characteristic of entrepreneurs (Chen, Greene, and Crick, 1998).

Entrepreneurial Motivations: In this research, we give consideration to the motivations of those individuals making entrepreneurial decisions. Although there is an extensive body of research that argues that entrepreneurs engage in the entrepreneurial process because of non-motivational individual differences, there is evidence to support the notion that motivational differences also influence the entrepreneurial process (see, for example, Shane, Locke, and Collins, 2003).

This research examines motivation from two perspectives: that which is directly related to the individual (referred to as “*intrinsic*” motivation) and that which is related to others (referred to in this research as “*extrinsic*” motivation). In this research, “others” are defined in terms of the family. Thus, entrepreneurial motivations are of interest in this research from the perspective of whether there are entrepreneurial intentions to start a business for intrinsic reasons associated with the entrepreneur or whether they are family related. We also are interested to what extent motivations influence individual beliefs in nascent entrepreneurs being able to muster and implement the necessary resources, skills, etc. to start a business (entrepreneurial self-efficacy).

Based on the conceptual model, we generate the following hypotheses:

H1: Nascent tourism entrepreneurs will demonstrate higher family collectiveness (extrinsic) motivations than nascent non-tourism entrepreneurs.

H2: Nascent non-tourism entrepreneurs will demonstrate higher individualistic (intrinsic) motivations than nascent tourism entrepreneurs.

We further argue that nascent tourism entrepreneurs, who (we hypothesise) will be more motivated by family reasons, will exhibit greater confidence in establishing their ventures (compared to nascent non-tourism entrepreneurs). This is because of the collective family support structure available to assist in their SMTE development and because there are significant consequences riding on their successfully setting up their businesses (family member employment, helping the family get ahead, etc.). Thus, we believe that nascent tourism entrepreneurs will exhibit strong beliefs in their entrepreneurial abilities. As such,

H3: Nascent tourism entrepreneurs will demonstrate higher entrepreneurial self-efficacy levels than nascent non-tourism entrepreneurs.

If nascent tourism entrepreneurs demonstrate greater entrepreneurial self-efficacy, we argue that their stronger efficacy will translate into stronger entrepreneurial intentions than nascent non-entrepreneurs:

H4: Nascent tourism entrepreneurs will demonstrate higher entrepreneurial intentions levels than nascent non-tourism entrepreneurs.

Because family will feature strongly with tourism entrepreneurs, we expect that there will be a significant relationship between family collectiveness motivations and entrepreneurial self-efficacy and entrepreneurial intentions. However, we also expect that individualistic motivations will strongly influence entrepreneurial self-efficacy and entrepreneurial intentions as well.

H5: For nascent tourism entrepreneurs, there will be a family collectiveness (extrinsic) motivations – entrepreneurial self-efficacy relationship.

H6: For nascent non-tourism entrepreneurs, there will be an individualistic (intrinsic) motivations – entrepreneurial self-efficacy relationship.

H7: For nascent tourism entrepreneurs, there will be a family collectiveness (extrinsic) motivations – entrepreneurial intentions relationship.

H8: For nascent non-tourism entrepreneurs, there will be an individualistic (intrinsic) motivations – entrepreneurial intentions relationship.

Finally, based on prior research, we expect there to be a significant relationship between entrepreneurial self-efficacy and entrepreneurial intentions for both groups.

H9: For nascent tourism entrepreneurs, there will be an entrepreneurial self-efficacy - entrepreneurial intentions relationship.

H10: For nascent non-tourism entrepreneurs, there will be an entrepreneurial self-efficacy - entrepreneurial intentions relationship.

Research Method

This research adopts a cross-sectional design to address the research question. Structural equation modelling is used to analyse the responses received from a survey instrument administered to the participants.

Participants

The sample comprised two groups of individuals: Nascent tourism entrepreneurs (n=133) and nascent non-tourism entrepreneurs (n=154) based in Johannesburg, South Africa. All were long-term unemployed and were keen to establish businesses out of necessity since there is little in the way of social welfare benefits payable to the unemployed in South Africa. Thus, an overarching motivation for all the participants in this research for wanting to start a business was out of necessity (Reynolds, Bygrave, Autio, Cox, and Hay, 2002). Participants were selected from a pool of over 1,000 individuals who responded to a comprehensive project media campaign (radio, newspaper advertisements, community organisation announcements, posters, etc.) in Johannesburg, South Africa. All were interviewed prior to the commencement of the study to ensure that they had intentions of starting businesses. As a result of the responses during the interviews and the documentation each individual submitted, many were rejected as it was assessed that they did not have strong intentions of starting businesses within the foreseeable future.

In terms of determining whether participants were allocated to the tourism or non-tourism groups, the survey instrument asked the question what type of businesses did participants intend starting: a tourism-related business or a non-tourism business. The response to this

question was used to divide the sample into the two groups. 53% of the tourism entrepreneurs were female and 47% were male. 49% and 51% of the non-tourism entrepreneurs were female and male respectively. The age range for the two groups was 18 – 37 years (tourism) and 19 – 39 years (non-tourism). 92% and 91% respectively of the tourism and non-tourism groups were 30 years or younger.

Measures

Measures reflected the latent variables of interest. There were four scales. Each was a likert-type scale. All scales were trialled in the target population prior to commencement of the study. No modifications to the scale items were necessary.

Entrepreneurial intentions dealt with the probability of starting a business. It was measured on a seven-point scale where “1 = extremely unlikely” and “7 = extremely likely”. It comprised questions such as “How likely is it that you will start a business within the foreseeable future?” and “How likely is it that you will develop a business plan in the foreseeable future to start a business?”

Entrepreneurial self-efficacy (ESE) was measured using a modified version of a scale developed by Zhao, Seibert, and Hills (2005). It asks questions in terms of “How confident are you in your present readiness for successfully managing or doing certain items” including identifying new business opportunities and thinking creatively. The scale was developed as a 5-point Likert scale. However, although there is no universal agreement on how many response points there should be, more may be preferred than less. Based on research undertaken by Preston and Coleman (2000), the ESE scale was offered with 7 response points since the popularity of 5-point scales seems to be less justified than the use of 7, 9, or 10 point scales and that rating scales with 7, 9, or 10 response categories are generally to be preferred (p.13). This is reinforced by Barrett (2003) who demonstrates that when the number of response points is below five, there is a significant underestimation of Pearson’s *r* resulting in an underestimation of factor loadings. Thus, five response items is an absolute minimum. Using 7 response points also brought it into line with the other three scales used in this research.

Intrinsic motivation was measured using a seven point scale that asked questions in terms of how important certain reasons were for starting a business; for example, in terms of for personal satisfaction reasons and to prove that I can do it. *Extrinsic motivation* similarly was measured using a seven point Likert scale. It too asked questions about underlying reasons for starting a business; for example, in terms of so that I can employ or involve members of my family and to create something for future generations.

Results

Structural equation modeling using AMOS Version 19.0 (Arbuckle, 1983-2010) was used in the data analysis (in conjunction with SPSS). The analysis procedure involved the following steps: Analysis of the one factor congeneric measurement models; analysis of the structural model for the two groups (tourism and non-tourism entrepreneurs); tests for invariance, and tests for mediating hypotheses.

In terms of the measurement and structural model analyses, a good fitting model occurs where the differences between the sample variances and covariances and the implied variances and covariances resulting from the parameter estimates are minimized (Cunningham, 2010). Model fit statistics are calculated to determine how well a model fits

the data. In both the analyses of the measurement models and the structural models, the model fit statistics were within the relevant ranges (RMSEA < 0.05, TLI > 0.95, CFI > 0.95, SRMR < 0.05). In addition, the χ^2 statistic for the structural model was not significant. All these fit statistics suggest that there was no significant difference between the sample variance/covariance matrix and the model implied variance/covariance matrix. Hence, the data fitted the model well and the model was confirmed.

Hypothesis Support

The following levels of support were provided for the hypotheses.

H1 stated that *nascent tourism entrepreneurs* will demonstrate higher family collectiveness motivations than nascent non-tourism entrepreneurs. This hypothesis was supported.

H2 stated that *nascent non-tourism entrepreneurs* will demonstrate higher individualistic motivations than nascent tourism entrepreneurs. This hypothesis was supported.

H3 stated that *nascent tourism entrepreneurs* will demonstrate higher entrepreneurial self-efficacy levels than nascent non-tourism entrepreneurs. This hypothesis was *not* supported.

H4 stated that *nascent tourism entrepreneurs* will demonstrate higher entrepreneurial intentions levels than nascent non-tourism entrepreneurs. This hypothesis was *not* supported.

H5 stated that, for *nascent tourism entrepreneurs*, there will be a family collectiveness motivations – entrepreneurial self-efficacy relationship. This hypothesis was supported.

H6 stated that, for *nascent non-tourism entrepreneurs*, there will be an individualistic motivations – entrepreneurial self-efficacy relationship. This hypothesis was supported.

H7 stated that, for *nascent tourism entrepreneurs*, there will be a family collectiveness motivations – entrepreneurial intentions relationship. This hypothesis was supported.

H8 stated that, for *nascent non-tourism entrepreneurs*, there will be an individualistic motivations – entrepreneurial intentions relationship. This hypothesis was *not* supported.

H9 stated that, for *nascent tourism entrepreneurs*, there will be an entrepreneurial self-efficacy - entrepreneurial intentions relationship. This hypothesis was supported.

H10 stated that, for *nascent non-tourism entrepreneurs*, there will be an entrepreneurial self-efficacy - entrepreneurial intentions relationship. This hypothesis was supported.

Discussion

For H1 and H2, it appeared that the nascent tourism entrepreneurs in this study were more interested in establishing businesses more for family-related than for individualistic reasons. They were less motivated by self and more motivated by extrinsic family reasons. Family business studies have shown that many family businesses do not proceed past the first generation. To develop a more sustainable tourism industry, the challenge for government will be to implement policy and programs that support family SMTEs – particularly those that are first generation.

In terms of H3 and H4, surprisingly, nascent tourism entrepreneurs had a lesser belief in their entrepreneurial capabilities to produce designated levels of performance than nascent non-tourism entrepreneurs. Moreover, this translated into lower entrepreneurial intentions for the nascent tourism versus nascent non-tourism entrepreneur group. This suggests that appropriate entrepreneurial training may be required to support nascent tourism entrepreneurs to enhance beliefs in their entrepreneurial capabilities. Aspects of this training should also focus on balancing business and family issues and what is involved in developing a professional sustainable family business (that moves beyond the first generation).

In terms of H5, it appears that family collectiveness motivations to set up a tourism business were strongly associated with entrepreneurial self-efficacy. This relationship did not exist for non-tourism entrepreneurs. Non-tourism entrepreneurs demonstrated a strong relationship between individualistic intrinsic motivations and entrepreneurial self-efficacy (H6) – but this relationship did not exist for the tourism entrepreneurs.

Although there was a strong relationship between family collectiveness motivations and entrepreneurial intentions for tourism entrepreneurs (H7), no such relationship existed for non-tourism entrepreneurs in terms of intrinsic motivations and entrepreneurial intentions (H8). Thus, the notion of supporting the family is a significant driving force in why tourism entrepreneurs establish businesses.

Post hoc analyses revealed that, for non-tourism entrepreneurs, entrepreneurial self efficacy mediated both the individualistic intrinsic motivations – entrepreneurial intentions relationship and the family collectiveness extrinsic motivations – entrepreneurial intentions relationship. However, entrepreneurial self efficacy only partially mediated the family collectiveness extrinsic motivations – entrepreneurial intentions relationship for tourism entrepreneurs.

As was expected, there was a strong relationship between entrepreneurial self-efficacy and entrepreneurial intentions for both the nascent tourism and nascent non-tourism groups (H9 and H10). Believing in oneself is a significant contributing factor to wanting to establish a business venture.

Future Research Directions and Research Limitations

This research is exploratory and, while based upon prevailing theory, further studies need to be undertaken to examine the constructs in other research environments. Research limitations and suggestions for overcoming these follow. *First*, the results are not necessarily generalizable to developed nations since South Africa where the research was performed is a developing country. The results, however, may be of interest to other developing countries in South Africa and elsewhere. *Second*, the nascent entrepreneurs who participated in the research were necessity entrepreneurs since none were employed. They needed to generate an income and, while trying to find a job was a (remote) possibility for some, establishing a business was an alternative means to generating an income. To the extent that these nascent entrepreneurs found it compelling to establish businesses out of an innate need to survive, underpins the necessity nature of these entrepreneurs. As such, the results may not be relevant to those entrepreneurs who intend starting businesses because they see an opportunity and voluntarily seek to develop that opportunity (opportunity-focused entrepreneurs). *Third*, although the sample was not randomly selected, the method used to recruit participants was the best approach that could be developed given the circumstances. Fixed telephone land lines are mostly absent in socially and economically disadvantaged communities where the sample

was selected and thus trying to select participants randomly from a telephone book who be meaningless and extremely biased given the profile of the participants that were targeted in this research. Fourth, the study was cross-sectional. Humans are not necessarily constant; thus, many psychological variables are subject to variation over time. To the extent that the latent variables examined in this research are changeable, additional research is required to examine the stability of the relationships over time.

Summary

This research examines the underlying motivations for why tourism entrepreneurs establish their businesses. It seems that a significant motivating factor that motivates tourism entrepreneurs to establish businesses is family. Family collectiveness motivations were also associated with entrepreneurial self efficacy. Although there were direct effects of the influence of family collectiveness motivations on entrepreneurial intentions, entrepreneurial self-efficacy also partially mediated this relationship. Although there was no direct relationship between intrinsic motivations and entrepreneurial intentions for the nascent tourism entrepreneur group, entrepreneurial self-efficacy fully mediated this relationship.

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