

# NASCENT ENTREPRENEURSHIP AND THE ROLE OF SELF-EFFICACY

*Paweł Ziemiański<sup>1</sup>*  
*Krzysztof Zięba<sup>2</sup>*

## **Abstract**

The authors discuss the role of general self-efficacy in new ventures creation. In the first part of the article antecedents and consequences of self-efficacy are described based on Bandura's theory (1984). Antecedents, which include mastery experience, social modelling, physiological arousal and social persuasion, are discussed in relation to the situation of nascent entrepreneurs. Self-efficacy's consequences - such as perceiving stressful situations as challenges and the ability to recover from disappointments are hypothesized to be important factors deciding on nascent entrepreneurs' behavior and outcomes. In the second part of the article a distinction between general self-efficacy and entrepreneurial self-efficacy (ESE) is described. The authors discuss theoretical and methodological aspects of using ESE in research on nascent entrepreneurs' intention to create new ventures.

**Keywords:** self-efficacy, entrepreneurship, nascent entrepreneurs, entrepreneurial self-efficacy, entrepreneurial education

## **1. Introduction**

Entrepreneurship is one of the most important aspects of the economic activity of today's societies' members in both developed and developing countries. A lot has been written about relationships between entrepreneurship and economic growth. Some researchers – including famous J.A. Schumpeter – claim that there is an unbreakable link between entrepreneurship and innovations. According to Schumpeter, creating innovations is just the central element of the definition of

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<sup>1</sup> Politechnika Gdańska/Gdańsk University of Technology

<sup>2</sup> Politechnika Gdańska/Gdańsk University of Technology

entrepreneur. Other economists are perhaps not so explicit in this matter<sup>3</sup>, but nevertheless innovations remain one of the basic functions of the entrepreneur in the literature. What is more, some recent changes in well-developed economies suggest that we witness a shift from managed economy – typical for the twentieth century, to entrepreneurial economy – which can be a standard economic model for developed countries in the twenty first century (Audretsch and Thurik 2000; Audretsch and Thurik 2001). If this shift happens, entrepreneurship will become crucially important, just like knowledge is crucial for knowledge-based economy.

Entrepreneurship is therefore an important subject of concern of representatives of different scientific disciplines. For instance the authors of this paper work in a team that consists of lawyers, psychologists and economists, which allow them to have a much broader point of view when considering different aspects of entrepreneurs' behaviour, characteristics, success and failure. Due to this multifaceted approach to the phenomenon of entrepreneurship – the approach adapted in many countries and on various universities and research centres – knowledge on this topic has been largely increased. As usual with every new answer there are also new questions arising and new facts ask for an explanation. In this paper the authors will focus on the role of self-efficacy in nascent entrepreneurship and will approach it from both psychological and economical point of view. In the first part the psychological approach to understanding self-efficacy will be explained together with its antecedents and consequences for information processing and behaviour. In the second part the focus will be on its role and functions in nascent entrepreneurship.

## 2. The concept of self-efficacy

Self-efficacy is a construct introduced by Bandura (1986) and is defined by him as “people's judgments of their capabilities to organize and execute courses of action required to attain designated types of performances”. It is concerned not with the skills one has but with the judgments of what one can do with whatever skills one possesses (p. 391). In other words it is one of the determinants of people's behaviour that is connected with their beliefs about the chances for success in completing a given task. Self-efficacy is a central point of Bandura's social cognitive theory and has become one of the most popular aspects of personality in psychological research, even though according to some theorists on the measurement level it is similar to the ideas that were introduced earlier such as for instance Rotter's internal locus of control (Rotter, 1975). Bandura perceives self-efficacy as a part of much broader self-system that consists of one's skills, attitudes and abilities. This way of thinking is representative to cognitive psychology which proposes that human personality should be viewed as a system

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<sup>3</sup> Being innovative is not an integral part of all definitions of entrepreneur. Some very well-known definitions ignore this aspect and Frank Knight's view on entrepreneurs serves as a good example here.

of personal knowledge that is both the result of different experiences and at the same time an antecedent of human behaviour (Kofta and Doliński, 2000). Personality is responsible for interpreting one's own role in society and for applying meaning to different experiences as well as for creating plans, setting goals and evaluating oneself from different perspectives (Higgins, 1987) and considering who one might become by construing possible selves (Markus and Kunda, 1986).

One of the desirable and interesting contemporary careers is becoming an entrepreneur. A research conducted on a sample of Polish students indicates that many of them believe that it is worth the effort and not only would like to, but also believe that they will become representatives of this profession (Zięba, 2010). In the face of competition, uncertainty and risk that every nascent entrepreneur needs to face and handle it is important to determine which psychological characteristics increase the probability of achieving the final success. Self-efficacy as a crucial part of the self-system that has a decisive impact on approaching goals, implementing planned actions and persistence when obstacles are faced, is certainly part of the answer. It is thus worthwhile to describe its consequences and antecedents.

People with high self-efficacy level are described as those, who perceive tasks as challenges rather than problems or threats (Bandura, 1994). This factor increases their adaptation skills and also reduces experienced stress level and allows more efficient coping with difficult situations (Le Blanc et al., 2008). Psychologists in the research on effective stress management tactics have been indicating this way of approaching tasks as very important and proposed that it is a crucial part of the cognitive style called psychological hardiness (Kobasa, 1979). For the creator of a nascent entrepreneurship, who needs to face a high level of ambiguity and finds themselves in the situation where a lot of issues call for actions and the way of approaching them is often crucial for surviving the most difficult moments, this characteristic that is specific to people with high self-efficacy level may be responsible for the difference between success and failure.

Bandura (1994) proposes that high self-efficacy level also results in deeper interest and commitment to one's plans and intentions, which allows people to be persistent when facing difficulties. Self-efficacy thus operates on the psychological level as a self-fulfilling prophecy. It has been shown in both classic and more up to date psychological research that self-fulfilling prophecies that become the reason for better performance (also known as the Pygmalion effect) may be responsible for an improvement of performance. In the most famous research illustrating this phenomenon Rosenthal and Jacobson (1966) indicated that when teachers were led to believe that some children (who in fact were chosen randomly) are expected to achieve better results, they started giving them more challenging tasks and as the result the teachers became the only cause for the improvement of these children performance level. In the meta-analysis of the research on Pygmalion effect in the work environment, it has been found that it can significantly contribute to employees' behaviour and motivation (McNatt, 2000). The Pygmalion effect is

analyzed as the result of other people's expectations. However, in the case of self-efficacy's role in nascent entrepreneurship the emphasis needs to be placed on self-fulfilling prophecies as a result of one's own expectations towards oneself and on the way in which expectations resulting from one's feeling of agency and believing in one's capabilities increases the chances for success. The next consequence of high self-efficacy level also contributes to them. This aspect is an ability to quickly recover from disappointments (Bandura, 1994). Those starting their own business very often encounter minor failures and find it necessary to effectively deal with obstacles. Self-efficacy therefore seems to be crucial for achieving entrepreneurial success and for starting one's firm.

### 3. Sources of self-efficacy

Apart from focusing on the above mentioned way of processing information that characterizes people with a strong sense of self-efficacy, it is also important to analyse the antecedents of self-efficacy and the possibility of applying different actions in order to shape, strengthen and create it. According to Bandura (1994) there are four major sources of self-efficacy: mastery experiences, social modelling, social persuasion and psychological responses.

The first source – mastery experiences is very effective. People that have an opportunity to experience their agency and to succeed in the tasks they are involved in usually greatly strengthen their judgments of being able to achieve desired goals.

The second source is social modelling, which is an important part of Bandura's social cognitive theory. An ability to observe other people succeeding in a task makes people believe that they are capable of achieving such level of performance themselves. There are however two conditions that need to be met if watching other people's achievement is to become an inspiration that enhances self-efficacy. If they are not met, witnessing someone else's success may have a negative impact on a target person and may become the reason for discouragement.

The first of them is relevancy, which can be defined as a relation between oneself and the model that facilitates the ability to perceive an analogy which allows for making social comparisons. It is usually related to the similarity of one's domain or the field of interest (Lockwood and Kunda, 2000). For example an entrepreneur will find it easy to see another entrepreneur as a relevant model, whereas they may have problem with assessing a sportsman or an official as such. Any similarity enhances the relevancy levels and factors like age or social background also play their role. It is worth mentioning that when we look at the phenomenon of entrepreneurship from this perspective, the fact that in different countries people with similar religious, social or national background were engaged in establishing and developing their firms may find its explanation not only in economical and cultural terms, but also may be the result of the effects of social comparison.

The second aspect is the perceived achievability of the model's success. For example in their experiment verifying the possible negative impact of social comparison with closely related people Tesser et al. (1988) discovered that an inferior result accompanied by the inability to improve one's own performance level had a negative impact on motivation and led to discouragement. On the other hand a series of experiments (Lockwood and Kunda, 2000) proved that when another person's achievements are perceived as possible to reach, a rise in the motivation level takes place. If we take this data into account, we can come to a conclusion that this is just one of possible ways in which being related to an entrepreneur (e.g. being a child, other family member or a friend) and the ability to witness his success may become an important source of entrepreneurial intentions and motivation.

Social persuasion is a third source of self-efficacy. Bandura et al. (1977) propose that people can be persuaded that they possess capabilities allowing them to succeed in the task they are performing. Unfortunately it is easier to evoke one's feeling and thoughts of small level of self-efficacy than to improve it (Bandura, 1994). People, whose efficacy level has been raised by social persuasion are likely to seek situation in which they can verify it and either succeed and thus strengthen their feeling of efficacy or fail and face the results by either verifying their views or making attributions that indicate insufficient effort to be the reason for their lack of success. On the other hand people who have been persuaded of their low efficacy usually withdraw from situations that create an opportunity to verify it and resign quickly when consequences are met.

The fourth and final source of self-efficacy described by Bandura (1994) are psychological responses which are also described as emotional arousal. They are crucial in stressful and threatening situations. The reason for that is that people perceive their physiological arousal as one of the indicators of their ability to successfully cope with the situation they face (Bandura, 1977). When people experience high level of arousal, their performance is usually handicapped. As a consequence they tend to avoid such situations in the future and if they have to face them, become more agitated and anxious. As a result their feeling of efficacy becomes weaker. That is why Bandura et al. (1977) proposed and proved that reducing one's arousal in stressful situation enhances the level of self-efficacy, which is a good predictor of task performance.

Self-efficacy is a major topic in research psychology because of its mediating role between one's intentions and actual performance level and is therefore essential for entrepreneurs, especially those, who recently established their firms. When we realize the sources and consequences of a high level of self-efficacy the question arises whether it can be intentionally formed and created during academic courses and other forms of training. The results obtained by Zhao et al. (2005) indicate that when students believe that they obtain valuable information and increase their knowledge during entrepreneurship courses, their self-efficacy level improves, which in turn has a positive influence on

entrepreneurial intentions. In the next part of this paper it will be explained how self-efficacy is important when one's firm is planned to be established.

#### 4. Entrepreneurial self-efficacy and nascent entrepreneurs

In the literature there exists a disagreement between researchers as to whether the concept of self-efficacy is universal enough to be used in the context of new venture creation. There is a view that general self-efficacy is sufficient to study entrepreneurial intentions and actions, as roles and skills required from entrepreneurs differ significantly from one case to another. Entrepreneurship is not a standardized set of actions and behaviours and, consequently, general confidence of an individual in meeting demands should be important for researching this topic. On the other hand, it is often stated that self-efficacy should be focused on a specific context and a certain activity domain. Gathering information on self-efficacy related to this specific context or activity domain (e.g. entrepreneurial actions) will certainly have a greater predictive power. That is why the concept of entrepreneurial self-efficacy (ESE) evolved (Chen et.al., 1998). ESE concept used in their research was derived from 36 entrepreneurial roles and tasks, 26 of them being examined and divided into five ESE dimensions. These were:

- marketing;
- innovation;
- management;
- risk taking;
- financial control.

The distinct dimensions of ESE allowed the above mentioned authors to differentiate between entrepreneurs and managers, as well as between entrepreneurship students from other students. In both studies differences were significant, although they were mostly manifested by different ESE dimensions.

Examining ESE using as many items as Chen et al. is something exceptional. In most studies measuring ESE is carried out with the use of one-dimensional tools or dimensionality of the tool used is limited – see for instance: (Forbes, 2005). Even in Chen's et al. study they relied on total ESE score, calculated as the average value for the examined items. Shortcomings of such an approach are quite clear. Looking at the findings of Zhao et al. (2005), there is a positive relation between entrepreneurial education and ESE level, as well as between higher ESE and entrepreneurial intentions. It could be assumed, therefore, that entrepreneurial education may increase new ventures creation by rising ESE. However, the authors relied on a composite ESE score and it is impossible to identify the particular areas of entrepreneurial education that are vital for increasing ESE. Challenging the view that general self-efficacy is sufficient for investigating entrepreneurial actions leads to ESE concept, but the existence of the latter calls for further refinement and perhaps division of ESE into smaller and more specific categories.

Regardless of the question which self-efficacy concept – general self-efficacy or ESE – should be used for researching new venture creation process, its role seems to be quite important for understanding nascent entrepreneurship. The term “nascent entrepreneur” is relatively new, as it was created at the end of twentieth century, when some researchers (Paul Reynolds, William Gartner and others) challenged the so far dominating personal and psychological traits’ approach to entrepreneurship. A very complete critique of this approach can be found in Davidsson’s book (Davidsson, 2006), but the main problem of traits’ approach was its core assumption that traits do not change over time. In other words, when entrepreneurs were found different from their non-entrepreneurial counterparts, it was believed that their personal and psychological traits made them start a business or at least facilitated this process. The traits were supposed to be the cause, not the effect of entrepreneurial actions. But Gartner posits that people’s behaviour is rather inconsistent in different times and situations (Gartner 1989), and therefore traits are not good predictors of future actions. Traits can change, as people gain experience, acquire new skills, face new situations, etc. That is why they may characterise entrepreneurs just because the latter obtained them during the process of becoming entrepreneurs.

In order to understand why some people recognise opportunities and start their business, while others do not, why some entrepreneurs are more successful than others a different approach must have been adopted. In this approach emphasis is placed upon perceiving new venture creation in terms of a process. Even though this process is described differently by different authors, there is a consensus as far the starting point is concerned: it all starts from an intention to start a business. If this intention is manifested by some actions undertaken to found a new business, we can speak of “nascent venture” and “nascent entrepreneur”. It is difficult to find studies concerning ESE as a variable explaining nascent status of entrepreneurs. But the theoretical link between those two seems to be clear. If nascent behaviour follows intentions and ESE is among the factors preceding intentions, any change in the level of ESE is likely to influence the probability of nascent behaviour occurrence. That calls for further refinement of ESE to make it more reliable and applicable to various sets of populations, with the population of nascent entrepreneurs among them (McGee et al., 2009).

One of the reasons for the above mentioned difficulty is the fact that nascent entrepreneurs are rarely in the samples tested during research. The majority of studies rely either on students (sometimes enrolled for entrepreneurship courses or business school students) or on existing entrepreneurs (sometimes defined as small business owners, which can easily be challenged). The former type of studies, based on students, is popular due to the convenience it offers. The access to a large pool of respondents is easy and response rate is usually high (Drnovsek and Glas, 2002). The main disadvantage of students as the subject of such studies is that due to the lack of experience and resources students are rather unable to judge whether they can be successful entrepreneurs or not. Instead of ESE their optimism level can be tested.



Small business owners are different, as they already possess their business. However, any study concerning ESE as a factor contributing to a new venture creation suffers from hindsight bias (Davidsson, 2006). Examined individuals do not give information about the ESE level they possessed when starting the business, they can only say what level of ESE they think they possessed. Focusing on their current ESE level is also of no good since we do not really know to what extent higher ESE level is the cause and to what degree it is the effect of new venture creation.

Carrying out research upon a sample of nascent entrepreneurs can yield promising results showing cross-cultural robustness of ESE measures (Drnovsek and Glas, 2002), but completing such a sample is not easy. Nascent entrepreneurs do not form a distinct population, like students or small business owners do.

## 5. Summary

Self-efficacy is a psychological construct already well-rooted and perceived as very important not only in psychology, but also in a number of other sciences, including medicine and entrepreneurship studies. The results of research on the role of self-efficacy in understanding the phenomenon of entrepreneurial activities show quite clearly that there is a need for further development of the entrepreneurial self-efficacy (ESE) concept as well as for refining tools for measuring it.

Out of all entrepreneurial activities, those related to a new venture creation are also the most closely related to entrepreneurial self-efficacy. New ventures can only be created intentionally and self-efficacy proves to be an important antecedent of entrepreneurial intention. That is why in the future research on new business formation and nascent entrepreneurs more emphasis should be put on ESE level which they manifest while creating their businesses. This, however, cannot be accomplished without prior, major improvements to the way of measuring ESE level.

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### **PREPRZEDSIĘBIORCZOŚĆ I ROLA SAMOSKUTECZNOŚCI**

Celem artykułu jest opisanie roli, jaką w tworzeniu nowej firmy pełni poczucie własnej skuteczności. W pierwszej części artykułu opisane są źródła poczucia samoskuteczności oraz jego następstwa w oparciu o teorię Bandury (1984). Źródła poczucia własnej skuteczności, do których należą doświadczenie własnych sukcesów, modelowanie społeczne, pobudzenie emocjonalne i perswazja społeczna, zostały przedstawione w kontekście sytuacji początkującego przedsiębiorcy (preprzedsiębiorcy). Autorzy opisują następstwa poczucia własnej skuteczności takie jak postrzeganie stresujących wydarzeń jako wyzwań czy też umiejętność radzenia sobie z niepowodzeniami jako czynniki mogące decydować o działaniach i rezultatach osiągniętych przez początkujących przedsiębiorców. W drugiej części artykułu opisane jest rozróżnienie pomiędzy ogólnym poczuciem samoskuteczności a poczuciem samoskuteczności w kontekście przedsiębiorczości (ESE). Autorzy przedstawiają teoretyczne i metodologiczne aspekty wykorzystania ESE w badaniach dotyczących intencji założenia firmy u preprzedsiębiorców.

# ATTITUDE AND SELF-ESTEEM VERSUS ENTREPRENEURIAL INTENTIONS AMONG YOUNG IN POLAND

*Katarzyna Stankiewicz*<sup>1</sup>  
*Julita Wasilczuk*<sup>2</sup>

## **Abstract**

The main aim of the paper is to present the relation between intentions to become an entrepreneurs among young polish people and the two factors with possible influence on it: self-efficacy and attitude towards entrepreneurship. Two groups of young people were examined: students enrolling the Management Faculty at Gdańsk University of Technology, and pupil from high schools, attending "Entrepreneurship" classes. It appeared that people who perceived themselves as self-efficacy reported to open own firm in the future more often than others. On the other hand the positive attitude towards entrepreneurship doesn't seems to have an influence on reported intentions to become an entrepreneur. Those research will be continue to verify, how the studding process influence the readiness to become entrepreneurs among students.

**Keywords:** entrepreneurial intentions, entrepreneurship, attitude

## **1. Introduction**

As Henderson and Robertson (2000) pointed, the future will depend on the young people, but unfortunately there is lack of knowledge about young adult views on entrepreneurship. Thenceforth, the researchers were determined to find either personal or contextual factors which indicate entrepreneurial action among young people (Turker and Selcuk, 2009; Linian et al., 2011) as well as differences between students from various countries (Giacomin et al., 2011). Other researches, tried to observe if the entrepreneurship attitudes, skills and behaviour could be

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<sup>1</sup> Politechnika Gdańska/Gdańsk University of Technology

<sup>2</sup> Politechnika Gdańska/Gdańsk University of Technology

