

Social Norms and Reward System Affecting Entrepreneurial Intention

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Abstract

This study is an attempt to identify social norms that affects the entrepreneurial intention in the entrepreneurially deficient state uttarakhand. The empirical study is based on a sample of 880 graduation final year students studying in different colleges of uttarakhand. On the basis of literature review and focus group interviews a questionnaire was prepared and administered on the sample. Pearsion's chi-square test was used to find out statistical relationship between the respondents with and without entrepreneurial intention and their perception for social norms and student's t-test was used to compare mean score and significance of the results.

Only two variables which are stated as, "maximum people want to do salaried job in our society" and "more often a person who is unable to get job, starts his/her business in our society" were found statistically significant. T-test also supports this finding. Only one variable which is asked as, "more often a person who is unable to get job, starts his/her business in our society" was found statistically significant. The mean value of the response for this item is also high for the respondents with non-entrepreneurial career choice than the respondents with entrepreneurial career choice. The findings of t-test used to examine the relationship between overall score of the social norms and career choice of the respondents, are also non significant.

Key Words: *Entrepreneurship, Entrepreneurial intention, Social Norms, Chi-Square test, t-test.*

1. INTRODUCTION

Entrepreneurship plays a pivotal role in the economic growth. To accelerate the growth of an economy of the state like Uttarakhand, entrepreneurship is must. It is only entrepreneurship which can utilise the available resources for the economic development. In absence of entrepreneurship the resources in the society remains unutilised, opportunities remains unidentified and economic progress of the society is not possible.

Since the development of entrepreneurship theory, researchers have fascinated to find out the factors affecting entrepreneurship and entrepreneurial intention. Social norms and reward system is one among these factors. Social norms refer to the perception of the societies about the particular behaviour. Social norms are directly associated with the entrepreneurship. This is the reason for differences

among the societies with respect to entrepreneurial activities. Some of the societies are levelled high in entrepreneurship in comparison to other. This may be that in these societies entrepreneurial activities are appreciated hence, people are more intended towards entrepreneurship.

Baumol (1990) argues that the availability of basic talent of entrepreneurship remain almost constant across the time and place. However, relative distribution of this talent among productive, unproductive, and destructive activities depends on prevailing social reward system. People use their entrepreneurial talent in those activities, which are appreciated by the society.

Taking into the consideration of the Boumol's finding, this study takes an attempt to seek the relationship between entrepreneurial intention and social norms in special reference to the state

Uttarakhand. A scale was developed on the basis of literature review and focus group interviews and worked out on the respondents to observe the role of prevailing social norms and reward system in deciding the entrepreneurial intention.

2. REVIEW OF LITERATURE

Since a long time it is a wide raised question that, why the level of entrepreneurial activities in a society differ from other societies? The discussion on this issue was initiated by Waber (1930). He states in his thesis that evolution of protestant ethic characterised by hard work, thrift, and desire for material advancement is the cause of entrepreneurship development in the West. Perspective Weber's analysis of Indian situations has been generally interpreted to suggest that the Hinduism had a negative effect on growth of Indian business and economy. Waber's thesis initiated a great deal of discussions, debate, and research. However, several researchers challenged the basic thesis of Waber and argued that the economic opportunities rather than religion or ideology is the cause of entrepreneurship (Godgil, 1959; Chell, 1988). Nevertheless, Waber's work keeps inspiring the thinker and researchers to investigate on ethnic and cultural association of entrepreneurship.

Following Weber's thinking, several researchers find entrepreneurship associated with some specific cultures, communities, caste and ethnic groups, such as Jews (Aris, 1970), Parsi (Guha, 1970; Kulke, 1974), Marwaries (Pavlov, 1964), Panjabies (Singh, 1994) etc. Hozelitz (1960) argued that only society with flexible cultural norms and socialisation pattern can promote entrepreneurship. Cochran (1965) states a culture that accords high status to entrepreneurs would promote entrepreneurship. Culture refers to the complex of meanings, symbols, and assumptions about what is good or bad, legitimate or illegitimate that underlies the prevailing practices and norms in a society. Social norms refer to perceived acceptance or rejection of an idea to start a firm by an individual, in a social perspective. Prevailing social reward system plays a very important role to pave the way for the development of entrepreneurship. This shows which course of action is more awarded and appreciated with

in a particular society. In his widely quoted article Baumol (1990) concluded that allocation of entrepreneurial talent (innovativeness) in a society depends on prevailing social reward system. He argued that the 'rules of the game' that determine the relative pay-offs, not only economic but social also, to different economic activities do change dramatically from one time and place to another.

Hagen (1962) gave rise to one another stream of thought on socio-cultural influence on entrepreneurial behaviour. He used the term 'status withdrawal' or 'relative social blockage' to explain a community's social perception for entrepreneurship. According to Hagen an individual or a community which has lost its social status for some reasons would be induced by an urge to regain its position through entrepreneurial activities.

Recently researchers have worked out on the social network concept of entrepreneurship. They find that entrepreneurship is not a single or isolated activity. It requires co-operation of other people, which an entrepreneur seeks through formal and informal social networks (Granovetter, 1973; Birley, 1985). Social network with respect to entrepreneurship can be defined as the sum of the relationships in which an entrepreneur participates. These social networks have been found as providers of psychological and practical support to access opportunities (Burt, 1992; Hills *et al.*, 1997) and a host of other resources, including finance and information (Ortgard and Birley, 1994).

Much of the evidence of social norms comes from the field of social capital (Keefer-Knack 2006). Social norms have a long history and it has been used extensively in social psychology. Is it a central concept to a proper understanding of human social behaviour as have been proposed (e.g. Berkowitz 1972, Fishbein-Ajzen 1975 and Ajzen-Fishbein 1980, Ajzen 1985)? Axelrod was right in his statement .an established norm can have tremendous power. (Axelrod 1986). Norms govern much of our social and political life; an established norm can be very powerful. How do we learn to behave in an expected way in a given environment? We learn to behave in ways we believe others approve of. Social norms are

rules shared by a group for contextually bounded behaviour i.e. they depend on the situation and the roles of the participants. This normative social influence is based on the need to be accepted by others (Hechter and Borland 2001). A norm is a property of a social system. Social norms are functional in regulating social life and they especially evolve when individual actions cause negative side-effects for others (Coleman 1990).

A large number of studies have explored student's intentions to become entrepreneurs outside the India (see Bird, 1998; Brenner, Pringle and Greenhaus, 1991; Crant, 1996; Katz, 1992; Kolvereid, 1996; Krueger and Carsrud, 1993; Scherer and Brodzinski, 1990; Scott and Twomey, 1988). However, this issue slightly touched in India but remained largely untouched in one of its state Uttrakhand. This study is an attempt to fill this gap.

3. OBJECTIVES OF THE STUDY

This study aims to identify and measure the effect of social norms and reward system on entrepreneurial intention.

4. HYPOTHESIS

This study tests the following null hypothesis:

“There is no difference between the respondents with entrepreneurial and non-entrepreneurial intention regarding to their perception on social norms and reward system”.

5. METHODOLOGY

Following is an overview of the research methodology of the study:

Development of Item Pool : A pool of items to develop questionnaire was constructed on the basis of the review of literature, informal discussions with entrepreneurs and focus group interviews of the students studying in different colleges of the state.

Pilot Survey: Data Collection for Pre-testing of Scale : Before execution for actual research work, it is desirable that the scale should be pre-tested to select appropriate items from the items pool and to ascertain the reliability of the scale. For this purpose a pilot survey was conducted and the sample of 50 students representing different streams of studies was

taken from different colleges. The collected information was numerically coded and analysed using statistical software SPSS.

Items Analysis and Reliability Test : The main criterion to include an item in the scale was that it must have a capacity to differentiate the respondents. Therefore, an item is dropped if it is not capable to differentiate between the respondents at two tails of the distribution. The approach which was used to filter the items of the item pool is explained in the following lines:

The response of the respondents was scored “5” for fully agreed and “1” for not agreed at all.

The total score of the respondents were computed to evaluate the differentiating power of item. Then the respondents were ranked in descending order according to their total motivational force. 17 respondents (roughly one-third) with highest score and 17 respondents with lowest score were selected. To compare the score obtained by the respondents with different career intention regarding to each individual item t-test was used. If the difference was found significant between the two different career choice groups at 5% level of significance, the item was finally selected to the scale. By this way all 10 items were found significant and selected for constructing the scale to measure the perception of the respondent for social norms.

When items are used to form a scale they need to have internal consistency. All items should measure the same thing, so they should be correlated with one another. The internal consistency of the scale developed in above manner was evaluated using split-half method. For this purpose item in the scale were divided in two parts. The first part for the split-half comprising the seven ‘odd items’ and the second part comprise the six ‘even items’. The total scores of each individual respondent in each of these two parts were computed separately. The Karl Pearson's Product Moment Correlation Coefficient between the scores obtained by individual respondents in these two parts was worked out, and reliability coefficient was computed. The reliability coefficient for the scale developed to measure perception for social norms was 0.64.

However, dividing the items into two parts on the basis of even and odd items is one of the several possible ways the items can be divided into two parts. Cronbach's alpha considers all these possible combinations for split half and computes the average correlation coefficient on their basis. The value of Cronbach alpha (α) may lie between negative infinity and 1. However, only positive values of α make sense. Generally, alpha coefficient ranges in value from 0 to 1. In this study value of Cronbach alpha of the item pool constructed to measure the perception of the respondents for social norms was 0.685. This shows that the scale has internal consistency.

Preparation of Final Questionnaire : Item analysis and reliability test was followed by preparation of final questionnaire. This questionnaire contains two sections. First section includes one dependent variable which is Entrepreneurial career choice, where the respondents were asked "what will be their most preferable area of work after completing graduation?" and second section includes a pool of social norms and reward system.

Sampling and Data Collection : A multi-stage random sampling method was used for collection of data. The entire state is divided in three geographic divisions- upper Himalaya, middle Himalaya and foot hills. In the first stage colleges and institutions in above three divisions were identified. Since all the institutions are located in cities and towns, therefore a random sample of these cities and towns was taken. In the second stage colleges and institutions were taken from those cities and towns. Only one institution was taken, where more than one institutions are located. In the third stage the courses of the college were randomly selected and in the fourth stage the particular respondents from a selected course were chosen. The questionnaire was filled by total 915 respondents. Due to incomplete information 35 questionnaires were dropped. Therefore, information provided by 880 respondents is used in this study.

Coding and Editing of Data : To assure the computer applicability in data processing up to the maximum possible extent, suitable numerical codes were given to all the responses. By this way the data

of the survey was stored directly into the database. Later it was processed in the statistical software SPSS version 19. Frequency and cross distribution tables were obtained with the help of the SPSS.

Data Analysis : After editing and coding, the data were analysed to test the hypotheses of the study. The independent variable is social norms and reward system where as, dependent variable is entrepreneurial intention. To test the hypotheses, t-test and chi-square test were used. Results are explained in the following section:

6. RESULTS AND DISCUSSION

Social norms refer to the perception of the societies about the particular behaviour. Social norms are directly associated with the entrepreneurship. This is the reason for differences among the societies with respect to entrepreneurial activities. Some of the societies are levelled high in entrepreneurship in comparison to other. This may be that in these societies entrepreneurial activities are appreciated hence, people are more intended towards entrepreneurship.

Baumol (1990) argues that the availability of basic talent of entrepreneurship remain almost constant across the time and place. However, relative distribution of this talent among productive, unproductive, and destructive activities depends on prevailing social reward system. People use their entrepreneurial talent in those activities, which are appreciated by the society.

This study takes an attempt to seek the relationship between entrepreneurial career choice and social norms. A scale was developed and worked out on the respondents to observe the role of prevailing social norms and reward system in deciding the entrepreneurial career choice. The following null-hypothesis was tested:

"There is no difference between the respondents with entrepreneurial and non-entrepreneurial intention regarding to their perception on social norms and reward system".

Pearson's chi-square test was used to find the statistical relationship between the respondents with entrepreneurial intention and respondents with non-

entrepreneurial career choice regarding to social norms. The findings show no significant relationship between entrepreneurial career choice and respondents perception on social norms, except in case of the two variables (item no. 3 and 5 of the scale) which are stated as, “maximum people want to do salaried job in our society” and “more often a person who is unable to get job, starts his/her business in our society”. The difference between the respondent’s

perception on social norms and career intention for these two variables is statistically significant with Pearson’s chi-square value 16.176 (p = 0.003) and 16.708 (p = 0.002) respectively.

The mean score of the respondents also compared using t-test, this also supports to the finding of chi-square test for the perception of the respondents to social norms. Findings are figured in the table 1.

Table 1
Significance of Difference between the Respondents with Entrepreneurial and Non-Entrepreneurial Intention for Social Norms

S.No.	Items	Mean Score		t	p
		Ent. (X̄)	Non Ent. (X̄)		
1.	Business is seen as a good work in our society.	4.2714	4.0259	-1.767	0.078
2.	Our society gives more respect to the government job holders.	3.9714	4.1719	1.448	0.148
3.	Maximum people want to do salaried job in our society.	4.2143	4.4691	1.695	0.094
4.	Our society wants to see maximum people as an entrepreneur.	3.4714	3.6778	1.419	0.156
5.	More often a person who is unable to get job, starts his/her business in our society.	2.8571	3.5012	3.907	0.000
6.	In our society business is regarded as a work of a specific class.	2.8857	2.7716	-0.620	0.535
7.	Spiritualism is given more importance then capitalism in our society.	3.0000	2.9420	-0.340	0.734
8.	Women are not supported for entrepreneurship in our society.	3.6000	3.6630	0.380	0.704
9.	The concept of change of home after the marriage, girls do not want to start business.	3.6143	3.2889	-0.154	0.878
10.	A dilemma weather, to run a business will be allowed or not after marriage stops to the girls to start a business.	3.5714	3.7259	0.979	0.328
Overall		35.4571	36.5444	1.358	0.175

7. CONCLUSION

This study concludes that prevailing social norms and reward system play a significant role in the personal life of an individual. Study reveals that the society in Uttarakhand does not encourage entrepreneurial activities. People want to see their children in government and private jobs, and government sectors enjoy higher social status. Respondents perceive that most of the people who enter in business do this due to their inability to get a job in government or private sector.

This study also reveals the need to change the social rewards system and social values through the education, entrepreneurial development programmes and through the activities of the self help groups and non government organisations. In our society people are more inclined towards the government and private jobs. They want to survive in 10 to 5 time schedule in the offices. If these societies start to recognise a person who opt an entrepreneurial career, the entrepreneurial intention level may increase among the youth.



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