

The Mediating Role of Psychological Capital in Relationship between Core self-evaluation and Entrepreneurial intentions

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Abstract

Objective: The main objective of the research is to study the determinants of Entrepreneurial Intentions among B-school students in India. Our objective is to study the relation between core self-evaluation and Entrepreneurial Intention with psychological capital as the mediating variable.

Methodology: Data was collected from the students of ICFAI Business School Hyderabad, who represent pan India since they come from all over India, through a self-administered questionnaire. The reliability of the data was tested using Cronbach's α ensuring that all the variables had more than 0.70 threshold. The questionnaire was categorized into three sections. Section I contained questions related to the demographic features of the respondent, EI (dependent variable), Psychological Capital (psycap, the mediating variable) and Core Self Evaluation (CSE, the independent variable). The questionnaire items were adopted from review of literature and modified to suite the study.

Findings: The research shows that the entrepreneurial intention could be predicted by Core self-evaluation (CSE) through PsyCap which has three dimensions hope, resilience and optimism following Laguna (2006). In this paper we achieved full mediation. Thus PsyCap is good mediator.

Research Implications: It is possible to inspire entrepreneurial intention among students through improvement of their PsyCap, which can be included in the curriculum of business schools and colleges. Government can take steps to develop CSE through PsyCap which will promote EI among the students.

Practical Implications: In order to develop entrepreneurship policy makers can do the same through development of PsyCap, which in turn will boost CSE and thus EI

Introduction: In recent advances, psychological capital (PsyCap) has emerged as one such resource other than human capital that can give organizations a leverage to get a competitive

innovative ways doing things, risk-taking capacities and PsyCap being considered a critical variable to predict entrepreneurship concepts like entrepreneurial intentions. Core self-evaluation (CSE) is broad personality trait capturing self-esteem, generalized self-efficacy, emotional adjustment and locus of control and a proven construct. The current study focuses on the relationship between CSE and entrepreneurial intentions and also the mediating effect of PsyCap. This study will help to get insights for academicians, policy makers, and practitioners to understand the entrepreneurial intentions among B-school students, draft policies, procedures that build individual PsyCap and foster entrepreneurial competencies, activities that will transform countries into knowledge economies. Data was collected from the students of ICFAI Business School Hyderabad, who represent pan India since they come from all over India, through a self-administered questionnaire. We found that PsyCap mediated the relationship between CSE and EI and mediation was found to be full or complete mediation. This has an important implication for policy, makers since in order to promote EI government can take steps to promote it via PsyCap. CSE can be developed amongst students through PsyCap.

Introduction

In today's competitive world, human capital is a crucial resource for the organization to get a competitive advantage (Avey et al., 2011) and to create knowledge economies (Luthans et al., 2007). In recent advances, psychological capital (PsyCap) has emerged as one such resource other than human capital (Luthans, 2004) that can give organizations a leverage to get a competitive advantage. Entrepreneurial activity is the key to creating knowledge economies as it involves innovative ways doing things, risk-taking capacities and PsyCap being considered a critical variable to predict entrepreneurship concepts like entrepreneurial intentions (Memili et. al., 2013). PsyCap research focused mainly on organizational dimensions like job performance, job commitment, etc. and gap persists with regards to entrepreneurial intention (Kim J. and Noh Y., 2015).

Core self-evaluation is broad personality trait capturing self-esteem, generalized self-efficacy, emotional adjustment and locus of control and a proven construct. Like PsyCap, core self-evaluation was explored with regards to organizational related dimensions and to study risk-taking choices like entrepreneurship (Hiller and Hambrick, 2005) but not many studies explored to examine the moderating effect. Therefore, the current study focuses to examine the relationship between CSE and entrepreneurial intentions and also the mediating effect of PsyCap. This study will help to get insights for academicians, policy makers, and practitioners to understand the entrepreneurial intentions among B-school students, draft policies, procedures that build individual PsyCap and foster entrepreneurial competencies, activities that will transform countries into knowledge economies.

Review Literature

Core self-evaluation (CSE) and EI

Core self-evaluation defined as “the self-assessment done by an individual about their worthiness, competence, and capabilities”; which could be positive or negative in nature (Judge, Locke, Durham, 1997) and conceptualized core self-evaluation as “basic conclusions or bottom-line evaluations that individuals hold about themselves” and identified four sub-dimensions that contribute to CSE. The first aspect of CSE was self-esteem which represents the overall value held by an individual. The second was generalized self-efficacy is the individual’s estimation of his/her ability to cope, perform and be successful. Third sub-dimension is the internal locus of control is the individual’s belief that they can control factors in the life and final fourth aspect is emotional stability (low neuroticism) is the tendency to be confident, secure, and steady. Judge et al., (1997) identified CSE as high order construct.

Many researchers have found the relationship between CSE and leadership (Eisenberg, 2000), job performance (Judge and Bono, 2000), motivation (Erez and Judge, 2001), job satisfaction (Judge and Bono, 2001) stress (Best, 2003). Studies have mainly focused on job context (Judge, Bono, and Locke, 2000; Judge, Locke, Durham, and Kluger, 1998) relations. And at individual level we find most of the literature deals with relationship between CSE and goals attainment be it individual interest (Sheldon, 1998; Elliot, Sheldon, and Church, 1997) or an organizational level it is related mainly to job satisfaction (Judge, Bono, Erez, Locke and Thoresen, 2002) but not much work in available linking CSE with entrepreneurship. Recent investigations like Seligman and Csikszentmihalyi (2000) tried to find the link between CSE and positive psychological concepts like PsyCap but not many studies have focused on the role of CSE and entrepreneurial intentions (EI). Therefore, we hypothesize:

Ho1: There is no relationship between CSE and EI.

Positive psychological capital (PsyCap) and EI

PsyCap is rooted in Positive organizational behavior (POB). POB is defined as “the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed and effectively managed for performance improvement”(Luthans, 2002b). PsyCap has flourished since the early 21st century and it is defined as the “individual’s positive psychological state of development characterized by having confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks; making a positive attribution (optimism) about succeeding now and in the future; persevering toward the goals, and when necessary, redirecting paths to goals (hope); and when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success”(Luthans, Youssef, and Avolio, 2007). Self-efficacy, as proposed by Bandura’s (1997), is defined as “an individual’s conviction about his or her abilities to mobilize the motivation, cognitive resources, and courses of action necessary to successfully execute a specific task within a given context”. An individual with low

self-efficacy are easily convinced that it is futile to address difficult challenges on the other hand individual high on self-efficacy tries to overcome the challenges with the competencies and efforts (Bandura, 2007). Many researchers (Chen et al., 1998; De Noble et al., 1999) proved self-efficacy as a central psychological state with the intentions to start a new venture. Optimism dimension of PsyCap is realistic (Schneider, 2001) and flexible (Peterson, 2000). It is attributed positive events with individual and negative events with the external environment (Seligman, 1998).

Recent study by Avey, Reichard, Luthans, and Mhatre (2011) using meta-analysis found many empirical pieces of evidence predicting the validity of PsyCap to individual outcomes like performance (Luthans, 2002); competitive advantage (Avey et al., 2007; Luthans et al., 2006; 2007) but not many studies have related it to the intermediaries like intentions to perform. Jensen S.M.(2012) study focused on how malleable nature of PsyCap will strengthen the entrepreneurs own PsyCap and their employees and he also directed new way to entrepreneurship is by linking it with individual's PsyCap which will add value to the literature on entrepreneurship. Therefore the current study tries to find the relationship between PsyCap with EI and impact of PsyCap between CSE and EI. With the stated gap in the research we propound to test the hypotheses:

Ho2: PsyCap does not mediate the relationship between CSE and EI.

Methodology

Sample and Variable Measurement

Data was collected from the students of ICFAI Business School Hyderabad, who represent pan India since they come from all over India, through a self-administered questionnaire. The reliability of the data was tested using Cronbach's α ensuring that all the variables had more than 0.70 threshold. The questionnaire was categorized into three sections. Section I contained questions related to the demographic features of the respondent, EI (dependent variable), Psychological Capital (psycap, the mediating variable) and Core Self Evaluation (CSE, the independent variable). The questionnaire items were adopted from review of literature and modified to suite the study.

Measurement of Key Variables

Entrepreneurial Intention (EI)

To evaluate entrepreneurial intention (EI), we used a questionnaire consisting of two statements, they are

I will probably own a business one day and second is It is likely that I will personally own a business in relatively near future. Both the items measured in five point likert scale.

Core Self Evaluation Scale (CSE)

This scale is composed of 4 items with 5-point Likert scale.

I am confident I get the success I deserve in life

I complete tasks successfully
 Overall, I am satisfied with myself
 Overall, I am satisfied with myself

Hope Scale (PSYH)

The scale of three items with five point likert scale has following statements
 At the present time, I am energetically pursuing my goals
 I can think of many ways to reach my current goals
 At this time, I am meeting the goals that I have set for myself

Optimism Scale (PSYO)

The items in PsyO are following three items measured in five point likert scale
 In uncertain times, I usually expect the best
 Its easy for me to relax
 I am always optimistic about my future

Resilience Scale (PSYR)

The items in PsyR are following three items measured in five point likert scale
 I usually succeed in making a favourable impression on people
 I usually think carefully about something before acting
 I like to do new and difficult things

The three together i.e. PsyH, PsyO and PsyR constituted PsyCap

Results and Discussion

Demographics

The demographic details of the sample are presented in table 1

Table 1: Demographic Details of the Sample

		Frequency	Percent	Valid Percent	Cumulative Percent
Education	Graduate	309	66.5	66.5	66.5
	Post Graduate	156	33.5	33.5	100.0
	Total	465	100.0	100.0	
	Stream				
Stream	Arts	14	3.0	3.0	3.0
	Business	278	59.8	59.8	62.8
	Engineering	103	22.2	22.2	84.9
	Medicine	4	.9	.9	85.8
	Others	66	14.2	14.2	100.0
	Total	465	100.0	100.0	
Gender	Female	227	48.8	48.8	48.8

Male	238	51.2	51.2	100.0
Total	465	100.0	100.0	

We find that 33.5% of the sample has got the masters degree while remaining i.e. 66.5 % are graduates. Almost 60% are business graduates, followed by engineers who constituted 22% and remaining are Arts, Medicine and others. Gender wise we have almost equal distribution with 49% females and 51% males.

Table 2 gives descriptive statistics of the variables i.e. Gender, EI, CSE and PsyCap

Table 2: Descriptive Statistics

	Mean	Std. Deviation	Skewness	Kurtosis
Gender	0.51	0.50	- 0.11 0.05	- 0.23 2.01
EI	3.57	1.08	- 0.11 0.63	- 0.23 0.18
CSE	3.76	0.60	- 0.11 0.58	0.69 0.23
PSYCAP	3.63	0.55	- 0.11 0.56	0.65 0.23

The sample consisted of almost equal number of men and women with mean of 0.51. EI is comparatively on higher side of 3.57 with relatively higher standard deviation, but even though CSE and PSYCAP are also on the higher side their standard deviation is much less.

Coming to correlations we find all the three variables significantly correlated with EI. PSYCAP has got very high correlation with CSE and relatively higher correlation with EI

Table 3: Correlations

	EI	CSE	PSYCAP	Gender
EI	1			
CSE	.162**	1		
PSYCAP	.225**	.514**	1	
Gender	.163**	.090	.139**	1

** . Correlation is significant at the 0.01 level (2-tailed).

In the last stage of the analysis we fitted a mediation model with Gender as a control variable and PSYCAP as mediating variable in the relationship between EI and CSE.

Theoretical Model

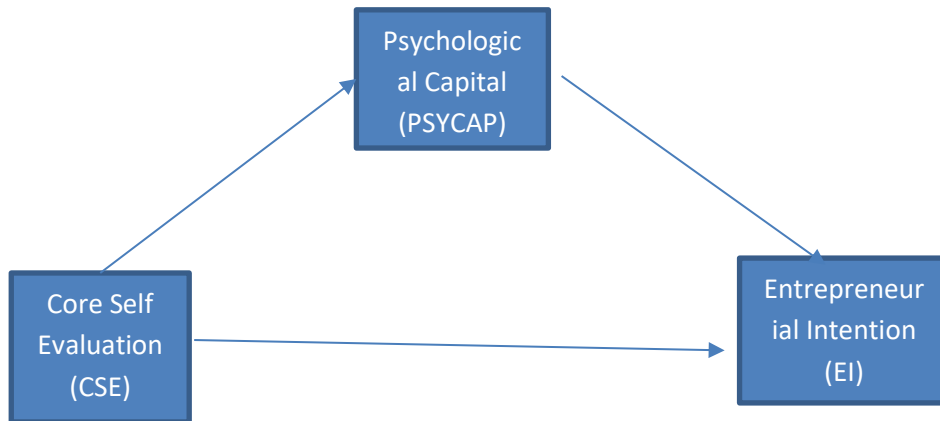


Table 4: Mediation Results

	Model 1		Model 2 (with mediation)	
	Coefficient	T-value	Coefficient	T-value
CSE	0.47	12.9	0.1121	1.18
Gender	.1018	2.33	0.2875	2.94
PSYCAP			0.3817	3.67
R Square	0.27		0.281	
F	166.5		12.41	

In the model 1 we have CSE and Gender with EI being the dependent variable. We find CSE to be highly significant with t value of more than 12. Gender was also significant with positive coefficient. It implies that men have more entrepreneurial intention than women. In the model 2 PSYCAP is added as a mediating variable and as expected for mediator to be good now CSE is no longer significant but PSYCAP is highly significant.

The research provides enough evidence that the individual’s personal characteristics influence individual’s EI following Wilson et al (2004) and Contreras, F., de Dreu, I., & Espinosa, J. C. (2017).

To test whether PsyCap mediates the relationship between CSE and EI (Hypothesis 2a), we followed the methodology outlined by (Baron and Kenny, 1986). According to Baron and Kenny, full mediation occurs when the independent variable(s) must affect the dependent variable significantly. In Model 1, CSE had a significant relationship on EI (t-value=12.9). Another

condition is the mediator must affect the dependent variable significantly. The results in presented in Model 2 highlight the significant positive effect of PsyCap on EI. The last condition being, the independent variable i.e. CSE was not significant in Model 2. Thus we achieved full mediation effects. If the independent variable is significant, then it is considered as partial mediation effects. The results presented in Table 4 show that the independent variable (CSE) was not significant, and thus Baron and Kenny's conditions are fully met, thus providing support for Hypotheses Ho1 and Ho2. PsyCap was found to fully mediate the relationship between CSE and EI.

Conclusions and Policy Implications

The research shows that the entrepreneurial intention could be predicted by Core self-evaluation (CSE) through PsyCap which has three dimensions hope, resilience and optimism following Laguna (2006).

This bond between CSE through PsyCap and Entrepreneurial Intention has some important implications; it is possible to inspire entrepreneurial intention among students through improvement of their PsyCap, which can be included in the curriculum of business schools and colleges. Government can take steps to develop CSE through PsyCap which will promote EI amongst the students.

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