

Do Role Models Impact Entrepreneurial Foresight - An Examination

Dr. Purna Prabhakar Nandamuri*

Abstract

Entrepreneurship is nothing but identification, appraisal and pursuit of opportunities in assorted contexts. The dimension of foresight augments the ability to mull over the probable future scenarios. It has long been acknowledged by research that role models may have a profound influence on career decisions. Even though entrepreneurial role models have become a familiar phenomenon, their impact has been studied only to a limited extent. This paper attempts to fill this gap by examining the impact of role models on entrepreneurial orientation. A sample of 200 final year postgraduate management students were selected randomly and the responses were collected through a schedule of four statements to be ranked on Likert scale. The statistical techniques of t Test and ANOVA were applied with the help of SPSS-20. The findings coincide with the past research that the role models exert profound impact on the competency of foresight in specific and entrepreneurial orientation in general.

Keywords: Entrepreneurship, Entrepreneurial orientation, Role models, Foresight, Potential entrepreneurs.

Introduction

The realizations of the future are affected by the anticipations, elucidations, and hallucinations of the present. 'What enables the wise sovereign and the good general to achieve things beyond the reach of ordinary men is fore-knowledge' says Tsun Tzu, the Chinese strategist and philosopher. Entrepreneurship is nothing but identification, appraisal and pursuit of opportunities in assorted contexts (Christensen, Madsen & Peterson, 1989). Entrepreneurs track opportunities that crop up from peripheral changes in the industry, emergence of fresh or underserved markets, identification of new needs that emerge in the economy, or technologies that endow the capability to cater more efficiently to the existing needs. Thus, the dimension of foresight augments the ability to mull over the probable future scenarios, their implications and the risks involved, estimate potential benefits, and predict the costs and finally translate into executable actions. To become a creative

entrepreneur, one should have the characteristic of foresight. Slaughter (1995) defines strategic foresight as a process that attempts to broaden the boundaries of perception in four ways:

1. **Consequent assessment:** Assessment of the implications of present decisions and actions.
2. **Early warning and Guidance:** Detecting and avoiding problems before they occur.
3. **Proactive assessment:** Considering the present implications of possible future events.
4. **Envisioning scenarios:** Envisioning the aspects of desired future.

The true entrepreneur does not live merely in the context of the present but always with a view to the context of the future since the implications of today's decisions are realized tomorrow. Thus, entrepreneurial thinking is about recognising opportunities in the marketplace and making strategies to capitalize on them. Proactive personalities scan for

*Assistant Professor, Marketing & Strategy, ICFAI Business School (IBS), IFHE University, Hyderabad

opportunities, show initiative, take action, and persevere until they reach closure by bringing about change (Bateman and Crant, 1993). Foresight can be identified as occurring at three levels: individual, strategic and social.

- **Individual foresight** is used everyday to prepare for eventualities, prevent perceived risks and prospect for opportunities.
- **Strategic foresight** aims to use individual foresight in organisationally useful ways. Strategic foresight also operates at depth, asking questions about the hidden underlying structures not just the visible surface trends.
- **Social Foresight** is the application of futures thinking in socially useful ways and it can be used to help equip organisations and communities with the ability to make decisions with long term implications, and to manage complex and difficult situations (Voros, 2007).

A considerable amount of research has been done on entrepreneurs and the ways in which they identify opportunities and the characteristics that help an entrepreneur to be successful. Some of such attributes are 'natural' - unique personality traits that may not easily be learnt whereas some can be stimulated by either past personal experience or family background. However, the nature of the relationship between entrepreneurial foresight and other relevant socio-demographic factors has not been made explicit or empirically testable to date. Moreover, as entrepreneurial orientation theories have emerged primarily from research among the developed countries, it is vital to observe the scope to which these apply in the milieu of developing countries such as India where the policy makers are looking upon the younger generations as the future pool of entrepreneurs and employment originators. The purpose of this study is to verify the extent of the influence of role models on the skill of foresight of the potential entrepreneurs.

Role Models

By identifying with an outstanding role model, individuals can become inspired to pursue similar achievements. The implication here is that by identifying with successful role models who own or run their own businesses, students studying entrepreneurship may be inspired to start and run their businesses successfully. The relevance of role models for entrepreneurs is evident in the popular business press that is littered with stories of, and references to, entrepreneurial endeavors and successes that have influenced other entrepreneurs. Many entrepreneurs claim that their business start-up decision and the development of their business have been influenced by others. These 'others' are often entrepreneurs and may range from famous people to former

colleagues or family members. Such persons serve as role models. A role model is a common reference to individuals who set examples to be emulated by others and who may stimulate or inspire other individuals to make career decisions and achieve certain goals (Wright et al., 1997). Individual decisions to engage in a certain behavior are often influenced by the behavior and opinions of others, the demonstration of their identity and by the examples they provide (Akerlof and Kranton, 2000). This also holds good for the occupational choice of individuals (Krumboltz et al., 1976) and, more specifically, the decision to engage in entrepreneurship. Fayolle et al. (2006) stated that intentions of creation of businesses are stronger when the degree of self-efficacy grows due to the presence of entrepreneurial role models. Parental role models can also play a role in influencing children in the family to become entrepreneurs. Individuals who perceive that an entrepreneurial parent has been successful, express a greater preference for an entrepreneurial career than those who have not had this kind of role model performance effect (Brennan et al., 2003). It has long been acknowledged by research that role models may have a profound influence on career decisions (Krumboltz et al., 1976). Thus, role models may enhance the desire to become an entrepreneur by providing encouragement to turn entrepreneurial ambitions into reality (Mueller, 2006).

It is certainly true that entrepreneurial ideas begin with inspiration; though intentions are needed in order for them to become manifest (Delmar & Shane, 2003). The literature identifies individual domains (e.g. personality, motivation, and prior experience) and contextual variables (e.g. social context, markets, and economics) as the two dimensions responsible for the formation of entrepreneurial intentions (Bird, 1988). The first one includes demographics, personal traits, psychological characteristics, individual skills and prior knowledge, individual network and social ties. The second one encompasses environmental support, environmental influences and organizational factors. Growing up in an entrepreneurial environment offers the opportunity to learn from the self-employed person serving as a role model and getting a realistic preview of self-employment (Chlosta et al. 2010). Entrepreneurial role models within the family or the circle of friends are unique sources of tacit knowledge about business strategy and entrepreneurial decision-making (Mueller 2006). Even though entrepreneurial role models have become a familiar phenomenon, their occurrence, function and characteristics have yet been studied only to a limited extent by academics. This paper attempts to fill this gap by addressing the importance of role models in forming entrepreneurial orientation among management graduates.

Review of Literature

The study of Niels et al. (2012) from The Netherlands confirms the potential of role models by finding that around 54% of the entrepreneurs have a role model in the pre- and/or post-start-up phase. Of these entrepreneurs, 81% has a role model before starting up their venture and 63% has a role model within the first 3 years of the business operations. Nematoollah, Davoud and Seyed's study (2012) showed a significant and positive relationship between entrepreneurial intentions and role models in Iran. Athanasios and Panikkos (2011) found a low but statistically significant correlation between a family business background and the intention to start a new business in Cyprus. Basu and Virick (2010) suggest that students with self-employed fathers gain exposure to entrepreneurship from an early age which in turn affects their attitudes and perceptions toward entrepreneurship.

Howard van Auken, Fred L. Fry and Paul Stephens (2006) examine the impact of role model activities on potential entrepreneur's desire to own a business. Quimby and DeSantis (2006) of Towson University in Maryland (USA) examined self-efficacy and role models' influence as predictors of career choice across Holland's (1997) six RIASEC (Realistic, Investigative, Artistic, Social, Enterprising and Conventional) types and found that the levels of self-efficacy and role model influence differed across Holland's types. Multiple regression analyses indicated that self-efficacy and role model influence accounted for significant variance in the career choice for all six RIASEC types. An Wang and Wong (2004) and Phan et al. (2002) found that in Singapore and Australia, students were more likely to commence new ventures upon graduation if their parents are in businesses. Krueger (1993) who stated that one can distinguish students from entrepreneurial families in terms of preference to business start up attitudes than those from non

entrepreneurial families. Thus, three strands of literature emerge to provide indications that role models are of importance in the decision to actually become an entrepreneur. Apart from conceptual studies establishing a link between role models and entrepreneurial orientation, empirical research on the importance of role models for (nascent) entrepreneurs has been scarce and there is still little knowledge of the nature of influence the entrepreneurial role models can exert upon the entrepreneurial orientation of the prospective entrepreneurs. The present study attempts to fill the gap by analyzing the effect of the presence of role models in determining the entrepreneurial foresight of prospective entrepreneurs.

Research Objective

The principle aim of this research is to identify the impact of the role models within the family or the circle of friends on entrepreneurial foresight of prospective entrepreneurs.

Hypothesis

That the entrepreneurial role models within the family or the circle of friends has a positive and strong impact on entrepreneurial foresight.

Methodology

A sample of 200 final year postgraduate management students were selected randomly from leading management institutes in Warangal region of the state of Andhra Pradesh. The respondents were served with a schedule of four statements (Table - 1), purposefully developed denoting the components of foresight as prescribed by Slaughter (1995), to be marked on a five level Likert scale denoting 1 = not at all agree to 5 = strongly agree. The responses are tested with ANOVA and t-Test for observing variations with the help of SPSS-20.

Table 1: Entrepreneurial foresight with components and corresponding statements

Component	Statement
Consequent assessment	I am ready to face any type of risk occurring in future consequent to my present decisions.
Envisioning scenarios	I can anticipate the potential problems likely to occur in future.
Proactive assessment	I can forecast the future implications of a particular current situation.
Early warning	I will not be disturbed by the primary set-backs in my tasks.

Results and Analysis

The existence of role models is categorized into two types for the purpose of the present study as 'have' and 'don't have'. Each

component of entrepreneurial foresight is tested for variance between the two groups and the corresponding means are compared for an in-depth understanding (Table-2).

Table 2: Role Modeling V Entrepreneurial Foresight

	Cronbach's Alpha	ANOVA		t-test for Equality of Means			Effect Size Cohen's 'd'
		F	Sig.	Mean Difference	t	Sig. (2-tailed)	
Consequent assessment	0.927	12.051	.001	0.64962	3.471	.001	0.493
Envisioning scenarios		37.795	.000	1.17903	6.148	.000	0.873
Proactive assessment		23.187	.000	0.94629	4.815	.000	0.684
Early warning		90.428	.000	1.54476	9.509	.000	1.351

Analysis of Variance

The responses were processed with ANOVA test to make a conclusion about whether the independent variable (having or not having role model) had an effect on the dependent variable (entrepreneurial foresight). The statistically significant F ratios (Table-2) yielded for all the components (consequent assessment: 12.051; envisioning scenarios: 37.795; proactive assessment: 23.187; and early warning: 90.428) imply that the means differ more than would be expected by chance alone. The means for individual components must then be examined in order to determine the nature of the effects.

Differences between Group Means

The t-test for measuring the difference of means between the two groups proves statically significant in all the cases thus confirming the ANOVA results. The observed mean differences are discussed competency wise.

- i. **Consequent assessment:** The larger the t-value, the smaller the probability that the means of the two populations are the same. The highly significant ($p < 0.01$) t value (3.471) for the component of consequent assessment (Table-2) imply that the means of the two groups are different. Further, the positive value indicates that the mean of the 'have' group is much higher than that of 'don't have' group. The mean difference is 0.64962 on a maximum scale of 5.0000. Figure-1 presents the extent of mean difference graphically between the two groups of respondents for goal-orientation. The directional difference of the means indicate that those having role models in their network exhibit stronger inclination towards goal-orientation than the other group without role models. Another note-worthy inference is that the confidence interval for those who don't have is longer than that of those who have role model network indicate that don't have exhibit more variances in their responses than have regarding the competency of goal orientation.

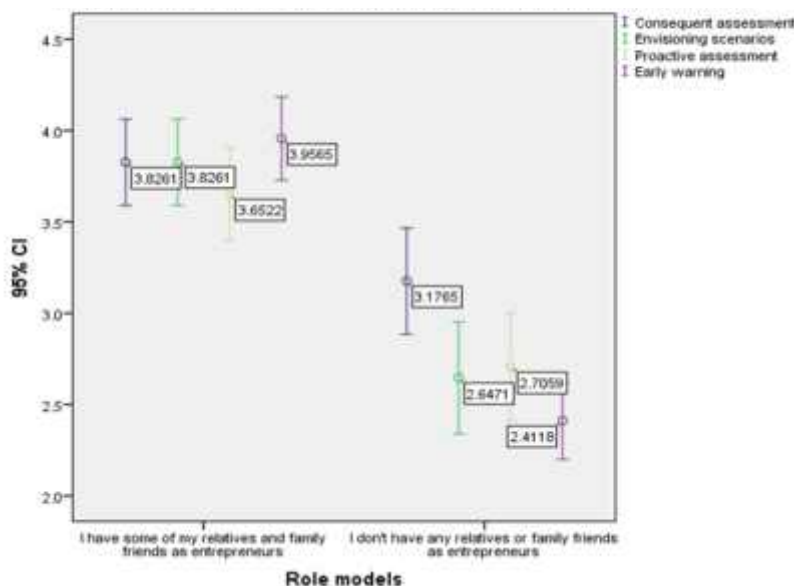


Figure 1: Role models vs Components of Entrepreneurial Foresight

- ii. **Envisioning scenarios:** The component of 'envisioning scenarios' yielded a highly significant t value (6.148) implying that the probability of similarity of the means of the two groups of respondents is very weak. Moreover, the positive nature of the t value indicates that the mean of the group having some entrepreneurial role models among their family or friends network is much higher than that of those don't have. The difference of mean between these two groups is 1.17903 (Table-2) on a maximum scale of 5.00000. Figure-1 provides a graphical presentation of the extent of mean differences between the two groups on the component of envisioning scenarios. Further, the directional difference of the means indicate that those who have role models in their network exhibit stronger inclination towards envisioning future than those who don't have. Further, the relatively longer confidence interval of the 'don't have' group implies that their responses exhibit more variance than their counterparts who 'have' role models in their network.
- iii. **Proactive assessment:** The trend regarding new 'proactive assessment' also follows suit of the earlier components. The statistically significant t value (4.815) implies that the means of the two sample groups are different and those 'have' role models differ with the opposite group with a considerable mean difference of 0.94629 on proactive assessment. Further, the responses of those 'don't have' are wide spread indicating much variance, as reflected by the error bar in Figure-1.
- iv. **Early warning:** The statistically significant t value (9.509) for the competency of 'early warning' represent that the mean values for the two groups are different while the positive nature of the value indicates that the mean value of those having role models in their network is much higher than that of those who don't have role models. It results in a very high mean difference (1.54476) on a maximum scale of 5.00000. The error bars regarding the component of invention skills (Figure-1) show that the group having entrepreneurial role models have a higher mean (3.95) than those don't have (2.41). The two groups are significantly different from each other as the confidence

intervals don't overlap. The confidence interval for don't have group is longer than the other group indicate that the previous group has more variance in their responses. Thus, the directional difference of the means prove that those having entrepreneurial role models exhibit a stronger preference for early warning.

Measurement of effect size

The difference between two means (Table-2) is already discussed for all the four components of entrepreneurial foresight. However, in the case of analysis of variance test, significant p-values alone aren't sufficient to indicate the size of an effect since it is possible to have strong statistical significance and a low effect size at the same time. Such a result would suggest that an association exists between the two variables under the study, but that the relationship is small and not of great practical significance. In the case of present study, apart from the other components, the difference between the group means is relatively lesser (0.64962) for the component of consequent assessment versus role models (Table-2) which implies that the difference between the two groups - those have role models and those don't have, is very thin even though statistically significant. Hence, it is imperative for the researcher to define the size of the effect as the group means are very close to each other.

Including effect sizes in the research will strengthen the rigor of the study and lend greater weight to the analysis, conclusions, and recommendations. Effect size is simply a way of quantifying the size of the difference between two groups. Effect size represents a value which implies how much the Independent Variable (IV) has affected the Dependent Variable (DV) in an experimental study. In other words, it helps to understand how much variance in the dependent variable was a results of the independent variable. Statistically, Cohen's d standardizes the effect size measurement at three levels indicating small, medium, and large effects. In general, the value = 0.20 is a small effect size, 0.50 is a moderate effect size and = 0.80 is a large effect size (Cohen, 1992). Thus, the 'd' score indicates the practical significance of the association under study.

Table 3: Standardized Mean Difference Scale

'd'	Standardized mean difference.	Percentage of variance explained.
Small	0.20	1%
Moderate	0.50	10%
Large	0.80	25%

In the present study, the effect size measurement resulted in a Cohen's 'd' value of 0.493 for the competency of consequent assessment and 0.684 for proactive assessment while the other two competencies yielded larger effects (Table-2). The 'd' value for consequent assessment (0.493) falls within the range from 0.20 and 0.50 on the standardized mean difference scale (Table-3) implying a small effect of the independent variable on the dependent one. Hence it is understood that having or not having role models had a small effect, which can cause only up to one percentage variance on the skill of consequent assessment among the subjects tested. The competency of proactive assessment shows up an effect size of 0.684 which falls within the range of 0.50 to 0.80 of the standard scale, implying the effect is moderate. The moderate effect size, as per Cohen's d score, may be responsible for the variance up to 10% only. Thus, unlike other competencies which show a large variance, very thin impact (1% to 10%) of role models on the components of consequent assessment and envisioning scenarios of the competency of entrepreneurial foresight is supported by the effect size measurement.

Conclusion

The hypothesis is confidently supported by the analysis which concludes that entrepreneurial foresight is a function of role model effect, even-though, two components yield small and moderate effect sizes and the other two show a strong impact. Further, those having role models are more focused on all the competencies of foresight and those don't have role models exhibit wide variance on the same components, as understood from the error bar analysis. Thus, the presence of role models helps the prospective entrepreneurs to be more focused on the competency of foresight which is an essential factor of entrepreneurial orientation. These findings prompt for further study of the phenomenon on a larger scale to generalize the current findings.

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