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Exploring Inter-generational Influence on Entrepreneurial Intention: The Mediating Role of Perceived Desirability and Perceived Feasibility

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Exploring Inter-generational Influence on Entrepreneurial Intention: The Mediating Role of Perceived Desirability and Perceived Feasibility

Abstract

Children of self-employed are twice as likely as other children to enter into self-employment. An entrepreneurial family background exerts a significant influence on the values, attitudes, and behavior adopted over the course of one’s life. This study provides an exploration of how entrepreneurial intentions are transmitted within families across generations. Using the data from 805 respondents and expanding upon Shapero and Sokol’s model of intention in entrepreneurial event (SEE), we analyze the role of an entrepreneurial family background as an inter-generational influence on entrepreneurial intention, and the underlying mediating effect of perceived desirability and perceived feasibility of business startup.

1. INTRODUCTION

Family business is defined as “…a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (Chua et al., 1999: p. 25). This definition implies that young people’s occupational choices can be affected by exposure to, and familiarity with, self-employment to the extent that they perceive entrepreneurship as a desirable and feasible profession (Krueger et al., 2000; Sorensen, 2007). Consequently, these perceptions can influence subsequent entrepreneurial intentions. Recent research has shown that parents’ entrepreneurial background can initiate entrepreneurial intentions in their children (Altinay et al., 2012; Carr and Sequeira, 2007; Laspita et al., 2012; Matthews and Moser, 1996; Scherer et al., 1989).

Even though there is evidence implying the importance of social networks for entrepreneurs (Hoang and Antoncic, 2003; Klyver, 2007) and that entrepreneurship often takes place in teams comprising family members (Aldrich et al., 2002; Ruef et al., 2003), the specific role of an entrepreneurial family background on entrepreneurial intention is an under researched topic in entrepreneurship literature (Getz and Petersen, 2005). There is still scope for understanding the role that family business plays in encouraging future entrepreneurial inclinations as little is known about
the process behind the inter-generational transmission of entrepreneurial intentions (Laspita et al., 2012).

This study provides an exploration of the inter-generational transmission of entrepreneurial intentions, using Shapero and Sokol’s (1982) model of intention in entrepreneurial event (SEE). We analyze the role of an entrepreneurial family background as an inter-generational influence on entrepreneurial intention, and the underlying mediating effect of perceived desirability and perceived feasibility of business startup. We hypothesize that individuals with prior family business experience may develop positive perceptions towards their entrepreneurial feasibility and desirability which can result in entrepreneurial action. Our aim is to provide a theoretical and empirical contribution to Shapero and Sokol’s (1982) model. Figure 1 depicts our proposed theoretical extension of the SEE in relation to entrepreneurial family background and entrepreneurial intention.

“Insert Figure 1 here”

The paper is organized as follows. First, we lay the theoretical foundations and derive the hypotheses for the mediating role of perceived desirability and perceived feasibility in the relationship between entrepreneurial family background and entrepreneurial intentions. Next, we describe our methodology and present the results. Finally, we discuss our findings, state the implications of our study and identify directions for future research.

2. THEORETICAL BACKGROUND

2.1. Entrepreneurial intentions

Entrepreneurship is the process of venture creation and entrepreneurial intention is crucial in this process. Entrepreneurial intentions are defined as “one's judgements about the likelihood of owning one's own business” (Crant, 1996: p. 43). They identify the link between ideas and action, which is critical for understanding the entrepreneurial process (Bird 1988; Krueger and Carsrud 1993). According to Ajzen (1991), intention captures the degree to which people show their motivation and willingness to execute the desired behavior. Intention has also been defined as a state of mind
that directs a person’s attention (and therefore experience and actions) toward a specific object (goal) or path in order to achieve something (e.g., becoming an entrepreneur) (Bird 1988). Previous research has proposed several conceptual models for understanding entrepreneurial intention (e.g., Davidsson 1995; Krueger and Brazeal 1994; Krueger and Carsrud 1993, Robinson, Stimpson, Huefner, and Hunt 1991; Shapero and Sokol 1982). However, research has shown that there is little difference in the approaches taken by these models (Krueger et al. 2000). In the current study, our understanding of entrepreneurial intention has been guided primarily by the Model of Entrepreneurial Event (SEE: Shapero and Sokol, 1982). Shapero and Sokol (1982) proposed that the entrepreneurial event (defined as initiating entrepreneurial behavior) depends on the presence of a salient, personally credible opportunity, which in turn depends on perceptions of desirability and feasibility. They defined perceived desirability as the attractiveness (both personal and social) of starting a business, and perceived feasibility (both personal and social) as the degree to which an individual feels capable of starting a business. SEE proposes that individuals experience positive or negative displacement events that lead to a change in their behavior. Positive event triggering could be provision of necessary start-up capital, whereas a negative event could be the loss of a current job (Krueger et al., 2000). Essentially, the entrepreneurship literature agrees that perceived desirability and perceived feasibility are fundamental elements for explaining the formation of entrepreneurial intention (Douglas and Shepherd 2002; Fitzsimmons and Douglas, 2011; Krueger et al., 2000). In the present study, we utilize these two constructs to explain the inter-generational transmission of entrepreneurial intentions (Carsrud et al., 2011; Laspita et al, 2012).

2.2. Entrepreneurial family background

The sociological and psychological theories that focus on the socialization of children highlight that the socialization that occurs within families assists children in embracing the social roles and behavior that is essential to partake in society (Brim, 1968). This socialization, as an on-going process of reflection and action, ultimately defines the perceptions that individuals develop regarding their social interactions, life choices, lifestyles and work roles. Through the lens of
symbolic interactionism literature, entrepreneurial family background can be defined as an inter-generational influence agent that acts as a socialization source and a mechanism in understanding future entrepreneurial intentions (Mead, 1934; Menaghan and Parcel, 1995; Moore et al., 2002; Parcel and Menaghan, 1994). Family influences are a decisive factor in young people's occupational intentions (Jodl et al., 2001). Indeed, family business research supports this contention as it demonstrates that entrepreneurs often have an early exposure to entrepreneurship, experience in the family business, and a family history where their mother or father was self-employed (Dyer, 1992; Dyer and Handler, 1994; Fairlie and Robb, 2005; Menaghan and Parcel, 1995). Brown (1990), in a study of British undergraduate students, found that 38% of the pre-selected students who were very interested in starting own business had fathers with their own businesses, which was higher than the general level. Similar findings on self-employment choice include evidence from UK (Hakim, 1988; Taylor, 1996) and US university students (Crant, 1996; Schiller and Crewson, 1997). Thus, it can be suggested that entrepreneurial ambitions are increased by the presence of an entrepreneurial family member as they can serve as role models (Altinay and Altinay, 2006; Liao and Welsch, 2001; Pruett et al., 2009; Samuelsson, 2001).

According to the parental model, a child’s special biology and experience can lead to preferences for activities which develop into well-defined interests, the pursuit of which leads to the development of more specialized competencies (Holland, 1985). Some researchers have even suggested that entrepreneurial intention can be an inherited genetic disposition through the transmission of specific genes from entrepreneurial parents to their offspring (Nicolaou and Shane, 2010). These genes, they argue, can affect brain mechanism and develop entrepreneurial traits in the children’s personality, e.g., the need for achievement, locus of control, risk-taking propensity, innovativeness (Altinay et al., 2012). These traits can ultimately lead to predispositions towards entrepreneurship as a possible career option (Rauch and Frese, 2007) and help to stimulate entrepreneurial opportunities (Nicolaou and Shane, 2009).
Furthermore, entrepreneurial family members might provide encouragement by reinforcing entrepreneurship-related interests, preferences, and competencies. They can provide opportunities for business ownership, and pass on business-related knowledge, skills, support, and resources to pursue these opportunities (Nicolaou et al., 2008). With regard to university students, Klyver (2007) found that family members were most strongly involved in the early stages of the lifecycle when the decision to start a business or not is yet to be made. Research has also shown that students whose parents owned a small business demonstrated the highest preference for self-employment and the lowest for employment in large corporations (Scott and Twomey, 1988). Thus, we propose the following:

**H1. Entrepreneurial family background is positively related to entrepreneurial intention.**

### 2.2 The mediating role of perceived desirability

Previous research has shown that entrepreneurial intentions are partially the result of positive attitudes toward self-employment (Souitaris et al., 2007). Individuals with desirable attitudes towards entrepreneurship are more likely to become entrepreneurs than those who view entrepreneurship as an undesirable career option. Many attitudes seem to be inherited (Eaves et al., 1989, 1999; Olson et al., 2001). Individuals who come from entrepreneurial families are more likely to be aware of the financial rewards and the autonomy that comes with family business ownership (Fairlie and Robb, 2005). This can ultimately lead to the formation of entrepreneurial values and positive attitudes that make entrepreneurship a desirable career option (Kuratko and Hodgetts, 1995; Mauer et al., 2009).

The theory of career choice implies that individuals’ interpretation of past experiences and their perception of the attitudes and expectations of socializers (e.g., parents, friends, and teachers) influences their career choices (Dick and Rallis, 1991). Entrepreneurial parents can play a critical role in the socialization and education process through conscious and unconscious transferring of entrepreneurial values, knowledge, skills and aptitudes to their offspring (Spera and Matto, 2007). The child-rearing practices and values of self-employed parents may affect their offspring’s values
by shaping the basic orientation toward “what makes up ‘earning a good living’” (Hout 1984: 1384), which can lead to a preference for self-employment (Western and Wright 1994; Aldrich, Renzulli and Langton 1998). Past research supports this contention. For example, in a longitudinal study, Halaby (2003) found that adult children of entrepreneurs were more likely to prefer careers with high-level of autonomy and self-direction in comparison to careers with low levels of autonomy and self-direction.

Accordingly, we can expect that family background, childhood experiences, and exposure to others in business will influence the development of desirable attitudes towards entrepreneurship. We argue that perceived desirability of business ownership will mediate the relationship between entrepreneurial family background and entrepreneurial intentions. This argument leads to our next hypothesis:

**H2. Perceived desirability of business ownership will mediate the relationship between entrepreneurial family background and entrepreneurial intention.**

### 2.3 The mediating role of perceived feasibility

Evidence from social psychology literature suggests that general self-efficacy is central to most human functioning and is based more on what people believe than on what is objectively true (Bandura, 1997). Research has consistently emphasized the importance of perceived self-efficacy as a key factor in determining human agency (Bandura, 1989), and has shown that those with high perceptions of self-efficacy for a certain task are more likely to pursue and persist in that task because they believe that they can accomplish the task (Bandura 1992). Therefore, higher levels of self-confidence regarding the accomplishment of entrepreneurial tasks can be positioned as increased volitional control.

In the field of entrepreneurship, perceived feasibility and its key indicator, entrepreneurial self-efficacy, have been proven to be remarkable predictors of entrepreneurial intention (Chen et al. 1998; Krueger et al. 2000). Boyd and Vozikis (1994, p. 66) characterized entrepreneurial self-efficacy as “an important explanatory variable in determining both the strength of entrepreneurial
intentions and the likelihood that those intentions will result in entrepreneurial actions”. Similarly, Krueger and Brazeal (1994) suggested that entrepreneurial self-efficacy constitutes one of the key prerequisites for the potential entrepreneur.

Individuals with an entrepreneurial family background gain knowledge of how to run a business by observing their entrepreneurial parents in the family business, and perhaps by assisting them after school or during holidays. They might see their parents as their role models, and so may come to see self-employment “as a realistic alternative to a conventional employment” (Carroll and Mosakowski 1987: 576). In this process, they can take on their parents’ work ethics as norms for their own behavior (Aldrich et al., 1998; Carr and Sequeira, 2007; Lentz and Laband, 1990; Menaghan and Parcel, 1995). Such entrepreneurial education and vicarious experience develops their entrepreneurial self-efficacy and can increase the possibility of considering entrepreneurship a feasible career option later in life (Krueger et al., 2000).

Finally, entrepreneurial parents can also arrange for financial and non-financial resources for their children (Aldrich et al., 1998; Dunn and Holtz-Eakin, 2000). Financially well-off entrepreneurial parents can transfer their wealth and financial capital, or help to gain loans and provide access to their social capital, which might include suppliers, customers, business partners, and business brand name (Laspita et al, 2012). Thus, the resources of entrepreneurial parent’s (financial and non-financial) can help their children to explore new market opportunities (Sorensen, 2007). Access to these resources can help children to perceive entrepreneurship as a feasible career option and stimulate entrepreneurial intention. Thus, we propose the following:

**H3.** Perceived feasibility of business ownership will mediate the relationship between entrepreneurial family background and entrepreneurial intention.

### 3. METHOD

#### 3.1 Context of the research

During the last decade, Pakistan has been trying to build its economic growth based on educational policies. The Higher Education Commission (HEC) of Pakistan has recently developed the National
Business Education Accreditation Council (NBEAC) to promote business education by focusing on stimulating entrepreneurial education and culture in Pakistani universities. Entrepreneurship is generally chosen by students as an elective subject during the final semester of their undergraduate programs. However, the NBEAC now aims at stimulating entrepreneurship as a major field of study in higher education institutions. Pakistan provides a favourable environment for entrepreneurial research, because of the increasing focus on entrepreneurship education, which will allow the impact of the new initiatives on university students’ entrepreneurial intention to be measured.

3.2 Setting and participants

To ensure variability and representativity of respondents, we selected universities in the largest province of Pakistan, Punjab. In Punjab, we targeted Lahore, Faisalabad and Sahiwal, which are considered the educational hubs in this region. First, we selected five universities on the basis of their provision of entrepreneurship education by looking at their websites and reviewing their course outlines and whether they were registered with HEC with approved and relevant programs of study. Second, we contacted undergraduate students who had studied or were studying a course of entrepreneurship in the universities that agreed to participate in our study. Data were collected during a period of 8 weeks and written informed consent to participate was obtained from students before they were allowed to answer the questionnaire. In addition, ethical approval was obtained from the University’s Ethics Committee. Before completing the questionnaire, all respondents viewed a brief explanation of the study and were informed of their rights as participants, in accordance with the American Psychological Association’s Ethical Principles for treatment of participants (APA, 2002).

One thousand questionnaires were distributed and 850 were returned, of which 45 were subsequently discarded. The 805 fully completed questionnaires (response rate of 85%) comprise 547 males (68%) and 258 females (32%). The average age was 21 years (S.D. = 0.54).

3.3 Design and Measure
A questionnaire was developed and pre-tested on a small sample of students for validation purposes. Study constructs included entrepreneurial intention, perceived feasibility, perceived desirability, and entrepreneurial family background.

3.3.1. Entrepreneurial Intention. Entrepreneurial intention was measured through seven statements which assessed whether participants intended to start a new business. The first statement, “Have you ever seriously considered becoming an entrepreneur?”, was adapted from Veciana et al. (2005) and was measured on a dichotomous scale (1 = Yes, 0 = No). The other six statements were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) and were adapted from Linan and Chen (2009).

3.3.2. Entrepreneurial family background. Following Altinay et al. (2012), entrepreneurial family background was measured as a nominal variable (1 = Yes, 0 = No) based on asking whether anybody in the family had a prior entrepreneurship experience.

3.3.3. Perceived desirability. Perceived desirability was assessed by means of the following six factors identified by Carter et al. (2003): self-realization (four items); financial success (four items); role (three items); innovation (two items); recognition (two items); and independence (two items).

3.3.4. Perceived feasibility. Following Krueger and Brazeal (1994) and Krueger et al. (2000), we operationalized perceived feasibility as an overall measure of self-efficacy across a range of entrepreneurial competencies. We used the entrepreneurial self-efficacy scale developed by Chen et al. (1998), who found significant and consistent support for this measure as a determinant of intentions to be an entrepreneur. Respondents were asked to indicate their abilities in performing 26 roles and tasks related to five main areas of entrepreneurship: marketing, innovation, management, risk taking, and financial control. The responses were recorded on a five point Likert scale ranging from completely unsure (‘1’) to completely sure (‘5’). Following Chen et al. (1998), we calculated the total entrepreneurial self-efficacy score by taking the average of the 26 items.

3.4. Statistical Analysis
Prior to the estimation of the measurement model, both exploratory (EFA) and confirmatory factor analyses (CFA) were conducted to assess the convergent and discriminant validity, reliability and unidimensionality of factor structures. Structural equation modelling (AMOS version 18.0) was employed for the CFA. Sobel test statistic was used for testing the mediation.

To test the hypothesized mediation effects, the four-step hierarchical multiple regression approach by Baron and Kenny (1986) was followed. Additionally, the Sobel test was used to test the mediation effect of each model (Sobel, 1982). Regression analyses were conducted as follows. First, the control variables of gender, age, and education were regressed on entrepreneurial intention (Model 1). Secondly, the main effect of entrepreneurial family background was added (Model 2), followed by each respective mediator (Models 3 and 4). Additionally, a final model regressing entrepreneurial family background and all of the mediating effects variables on entrepreneurial intention was calculated (Model 5).

4. RESULTS

4.1. Assessment of measures and common method bias

A single measurement model was estimated to assess the validity of the measures. The chi-square statistic for the model is significant ($\chi^2(df) = 1.733$), as might be expected due to the large sample. The other fit indices indicate a good fit (comparative fit index (CFI) =.93; tucker lewis index (TLI) = 0.92; root mean square error of approximation (RMSEA) =.059). All items load significantly on their respective constructs with factor loadings range from 0.50 to 0.84. This meets the threshold of 0.50 set by Hair et al. (2006) and demonstrates convergent validity at the item level. In addition, at the construct level, the reliability coefficients (Cronbach’s alpha) and composite reliability for all constructs were well above the threshold level of 0.70 (Nunnally & Bernstein, 1994), and the average variance extracted (AVE) exceeds 0.50 (Fornell & Larcker, 1981), all of which provide evidence for convergent validity at the construct level. Evidence of discriminant validity is provided by the fact that the AVE for each construct is greater than the squared correlation between that
construct and any other construct in the model (Fornell & Larcker, 1981). Table 1 presents the correlation matrix and summary statistics.

“Insert Table 1 here”

To assess the possibility of common method bias affecting our empirical results and research conclusions, we used Harmon’s one-factor test (Podsakoff and Organ, 1986). For the combined factor analysis, the results indicated four factors with eigenvalues greater than 1. Additionally, the variables loaded on their respective constructs consistently suggesting that common method bias was not a primary concern.

4.2. Mediation Analysis

Table 2 presents the hierarchical multiple regression results. In support of H1, entrepreneurial family background is positively associated with entrepreneurial intention (Model 2: $\beta = 0.150; p < 0.001$). To test the mediation effects proposed in H2 and H3, we conducted regression analysis using entrepreneurial family background as a predictor of the two mediating variables, i.e., perceived desirability and perceived feasibility. Next, regressions analyses were conducted for both the main effect and the mediating effects on entrepreneurial intention. For each model, entrepreneurial family background significantly predicted the mediating variables, thus providing support to continue further mediation tests for each model. Subsequently, we examined the coefficient of the main effect (entrepreneurial family background) for Model 3 and 4, after loading the mediating effect of perceived desirability (Model 3) and perceived feasibility (Model 4).

For Model 3, which sought to test the mediating effect of perceived desirability, the main effect was significant, though smaller with the inclusion of perceived desirability. The Sobel test was strongly significant (Sobel test statistic = 2.70, $p < 0.001$), suggesting that an individual’s perception of the desirability of starting a business partially mediates the main effects of entrepreneurial family background on entrepreneurial intention. Similarly in Model 4, perceived feasibility partially mediates the relationships between entrepreneurial family background and entrepreneurial intention (Sobel test statistic = 2.20, $p < 0.001$). Finally in Model 5, all main and
mediation effects were included and entrepreneurial family background was still highly significant. This suggests that entrepreneurial family background is still important in predicting entrepreneurial intention. For each mediating variable, the results support the hypothesis that perceived desirability and perceive feasibility of starting a new business are positively related to entrepreneurial intention. In the next section, a discussion of these results is provided.

“Insert Table 2 here”

DISCUSSION

The specific role of an entrepreneurial family background on entrepreneurial intentions is an under researched topic in entrepreneurship literature (Getz and Petersen, 2005) and little is known about the mechanism underlying the transmission of entrepreneurial intentions within families (Laspita et al., 2012). The goal of this study was to gain a better knowledge of the inter-generational transmission of entrepreneurial intentions. Drawing on data from 805 individuals, our results suggest a significant direct and indirect transmission of entrepreneurial intentions from parents to their children. Importantly, this effect is partially mediated by the perceptions of desirability and feasibility of business start-up. Our results have implications for family aspects of entrepreneurship theory.

Our finding that an entrepreneurial family background has a positive effect on children's entrepreneurial intentions is consistent with previous research (e.g., Carr and Sequeira, 2007; Laspita et al., 2012; Matthews and Moser, 1996; Wang and Wong, 2004). While there is much evidence in the literature on this relationship, little is known about the mediating role played by perceived desirability and perceived feasibility. Our study developed a holistic framework by demonstrating that the relationship between entrepreneurial family background and entrepreneurial intention is partially mediated by perceived desirability and perceived feasibility of business start-up. These findings provide a further insight into the inter-generational transmission of entrepreneurial intention within families.
Our results also provide implications for cross-cultural research. In the context of our study setting, i.e., Pakistan which has a high in-group collectivism, the close familial relationship between parents and their children might lead to the initiation of entrepreneurial intentions. This implies that, for young people without entrepreneurial families working with entrepreneurs on a one-to-one basis in a friendly and familial environment can lead to the development of trusted relationships that could initiate entrepreneurial intentions (Laspita et al., 2012). Thus, depending upon the prevalence of parental entrepreneurship in a country, policy makers and universities can motivate young people towards entrepreneurship accordingly. Laspita et al. (2012) found that in countries with low in-group collectivism individuals with entrepreneurial family background appear to absorb less of the knowledge and values conducive to entrepreneurship from their parents than those who live in countries with high in-group collectivism. Future research can shed more light on how different types of knowledge, attitudes, and values that are conducive to entrepreneurship are transmitted within families across different cultures.

Limitations and future studies

There are several potential limitations in the present study. In spite of these limitations, there are several ways that the findings can inform future research. First, our sample is drawn from a collectivistic society (i.e., Pakistan) based on Hofstede’s cultural typology (Hofstede, 1980, 2003). In addition, the context of our study is a developing Asian country. Consequently, our findings may not be generalised to developed economies in individualistic cultures such as UK or Europe. Second, entrepreneurial family background is a binary categorical variable which may offer limited insight about the mechanism underlying the influence of this variable on entrepreneurial intention. Thus, we recommend that future studies should investigate the entrepreneurial family background by employing metric measures. Third, in order to understand the transmission of entrepreneurial intentions over people’s life fully, longitudinal studies are required, and future research could fill this gap. Finally, we acknowledge that measuring students’ entrepreneurial intention is not equivalent to entrepreneurial action. Previous studies have used student samples in entrepreneurial
intentions formation process (e.g., Krueger et al., 2000), as they are approaching the career-choosing stage (Lévesque and Minniti, 2006). Nevertheless, there is a debate in literature about the representativeness of student samples as general population (Robinson et al., 1991). Future studies should use a sample of managers and existing entrepreneurs to further validate our proposed model.
Figure 1
Proposed Model for Entrepreneurial Family Background and Entrepreneurial Intention

[Diagram showing the relationship between Entrepreneurial Family Background, Perceived Desirability, Perceived Feasibility (Entrepreneurial Self-Efficacy), and Entrepreneurial Intention]
Table 1.
Descriptive statistics, correlation matrix, and square root of AVE ($n = 805$)

<table>
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<th>Mean</th>
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<th>4</th>
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<td>-.017**</td>
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<td>4. Entrepreneurial Family Background</td>
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<td>.78</td>
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*Significant at $p \leq .01$

Diagonal values represented in italics are square root of AVE; off-diagonal values are correlations between constructs.
Table 2.

Mediation regression analysis of study variables on entrepreneurial intentions

<table>
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<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
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<td>$\beta$</td>
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*Sobel Test for Mediation*

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<td>.45**</td>
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<td>.25**</td>
<td>.47**</td>
<td>.44**</td>
<td>64.56***</td>
</tr>
<tr>
<td>Change in $R^2$</td>
<td>.08**</td>
<td>.22***</td>
<td>19**</td>
<td>---</td>
<td></td>
</tr>
</tbody>
</table>

*Max variance inflation factor (VIF)*

|                          | 2.1     | 2.0     | 2.3     | 2.3     | 2.3     |

*p < 0.05; **p < 0.01; ***p = 0.000