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Entrepreneurial Capacity vs. Education and Self-Efficacy in Gen-Z High-Growth Intentions

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Abstract

This study aims to investigate whether factors such as entrepreneurial capacity, education, and self-efficacy can predict high-growth entrepreneurial intention. The research employs a quantitative method. Data was collected from 300 Gen-Z respondents who had studied entrepreneurship at universities and was analyzed using Structural Equation Modeling with AMOS. The findings reveal that entrepreneurial education does not significantly influence the intention to create a high-growth business. However, both entrepreneurial self-efficacy and capacity significantly and positively affect high-growth entrepreneurial intention.

Keywords: high-growth intention, entrepreneurial intention, entrepreneurship education, self-efficacy, entrepreneurial capacity

INTRODUCTION

Entrepreneurship is a key driver of regional economic growth and employment creation, particularly through high-growth businesses. However, creating high-growth businesses often requires more resources and presents more complex challenges compared to regular businesses (Araki et al. 2024; Kindström et al. 2024). In Indonesia, the majority of the population is currently comprised of Gen-Z individuals born between 1997 and 2012 (bps.go.id). Consequently, the government needs to promote entrepreneurship among Gen-Z, as they represent the future economic engine of the country. Becoming a high-growth business owner is one way to achieve this. Understanding what motivates individuals to create high-growth businesses is crucial, given the significant contribution these businesses can make to economic development despite the challenges they may encounter (Bulanova et al. 2016; Araki et al. 2024).

Previous studies have distinguished three types of entrepreneurial intention: general entrepreneurial intention, lifestyle entrepreneurial intention, and high-growth entrepreneurial intention. High-growth entrepreneurial intention is defined as the intention to create a high-growth business characterized by rapid expansion for profitability and growth, which may involve engaging in international business, becoming an industry leader, or going public through an IPO (Drost & McGuire, 2011; Prabhu et al. 2012; Sweida & Reichard, 2013). Some research has found that entrepreneurial education, entrepreneurial self-efficacy, and entrepreneurial capacity have a positive and significant influence on general entrepreneurial intention (Ramadani et al. 2022; Chien-Chi et al. 2020; Kim & Huruta, 2022). However, little research has examined the determinants of high-growth entrepreneurial intention. This study aims to determine whether these factors influence high-growth entrepreneurial intention.

Entrepreneurial education is a process in which higher education institutions provide the tools and resources necessary for lecturers to teach and manage business creation through a structured curriculum aimed at developing entrepreneurship knowledge (Díaz-Casero et al. 2017; Cui & Bell, 2022). Liening et al. (2016) demonstrated that entrepreneurial education functions as a self-organized activity based on the Theory of Synergetics, driving individual and self-directed learning. Empirical studies suggest that entrepreneurial education is generally effective in enhancing students' learning outcomes, including their knowledge, skills, perceptions, attitudes, and psychological capital related to entrepreneurship (Kariv et al. 2019; Cui & Bell, 2022). It facilitates the exchange of entrepreneurship-related knowledge, skills, and experiences, and inspires individuals to achieve future success through field studies. Additionally, research shows that individuals with university degrees are more likely to start their own businesses early and become high-growth company owners (Doan & Phan, 2020; Jiatong et al. 2021). Therefore, entrepreneurial education may influence high-growth entrepreneurial intention.

H1: Entrepreneurial education has a positive influence on high-growth entrepreneurial intention.

Entrepreneurial self-efficacy is defined as a person's confidence in their ability to conduct entrepreneurial activities and create a venture (Gielnik, 2020; Chien-Chi et al. 2020). This concept, originally developed from the Social Learning Theory introduced by Bandura in 1977, was later expanded into Social Cognitive Theory (Lippke, 2020). Research has shown that individuals with higher levels of entrepreneurial self-efficacy are more likely to engage in high-growth entrepreneurial activities. Additionally, a study found that women entrepreneurs in high-growth firms exhibit higher entrepreneurial self-efficacy, which leads to greater business growth aspirations (Bulanova et al. 2016; Hassan et al. 2020; Araki et al. 2024). These findings suggest that individuals with higher levels of entrepreneurial self-efficacy are more likely to intend to pursue high-growth entrepreneurship.

H2: Entrepreneurial self-efficacy has a positive influence on high-growth entrepreneurial intention.

Entrepreneurial capacity refers to the ability to identify and capitalize on opportunities and is a key factor in becoming an entrepreneur (Clarysse et al. 2011; Chhabra et al. 2023). Previous studies have noted that entrepreneurial capacity is distinct from, but may complement, absorptive capacity (Cunningham & Moroz, 2008; Chhabra et al. 2023). Absorptive capacity is defined as a firm's ability to identify, assimilate, transform, and apply valuable external knowledge, whereas entrepreneurial capacity pertains to an individual's or group's ability to assess the economic potential of new information and develop strategies to convert that potential into tangible economic value (Cunningham & Moroz, 2008; Roberts, 2012; Chhabra et al. 2023). Entrepreneurial capacity is essential for developing the intention to start a business, as individuals must be able to identify opportunities before building a business (Nguyen & Nguyen, 2023). Teixeira et al. (2018) and Chhabra et al. (2023) also indicate that high levels of perceived entrepreneurial capacity positively affect and are key determinants of entrepreneurial intentions. Therefore, individuals with strong entrepreneurial capacity are more likely to pursue high-growth ventures.

H3: Entrepreneurial capacity has a positive influence on high-growth entrepreneurial intention.

METHOD

The data for this study were collected through an online self-administered survey conducted in 2023. The participants targeted were Gen-Z individuals, specifically those born after 1997, who had received entrepreneurship-related education at universities in Indonesia. This demographic was chosen because most Gen-Z individuals are either currently pursuing higher education or have recently graduated, providing up-to-date insights into entrepreneurship education in Indonesian universities. The survey was distributed using Google Forms, and respondents were informed of the survey's objectives and assured that participation was entirely voluntary. Ultimately, 300 usable responses were collected for subsequent data analysis.

Prior to data analysis, the measurement items for the study variables were carefully evaluated and adjusted to align with the study context. A seven-point Likert scale was employed, ranging from 1, which denoted "completely disagree," to 7, which denoted "completely agree." Indicators for entrepreneurial education were adapted from Díaz-Casero et al. (2017), focusing on whether the courses attended contributed to improving entrepreneurial skills. Entrepreneurial self-efficacy was measured using four items adapted from Zhao et al. (2005), which assessed respondents' confidence in their ability to create and commercialize business ideas. Entrepreneurial capacity was gauged with three items adapted from

Table 1 Reliability and Validity Test

Variable & Indicator	Std. Loading	Convergent Validity (AVE) ≥ 0.50	Construct Reliability ≥ 0.70
Entrepreneurial Education		0.775	0.946
EE1	0.876		
EE2	0.875		
EE3	0.875		
EE4	0.861		
EE5	0.884		
Entrepreneurial Capacity		0.741	0.896
EC1	0.885		
EC2	0.873		
EC3	0.833		
High Growth Entrepreneurial Intention		0.721	0.939
HGEI1	0.861		
HGEI2	0.880		
HGEI3	0.841		
HGEI4	0.849		
HGEI5	0.827		
HGEI6	0.833		
Entrepreneurial Self-Efficacy		0.791	0.938
ESE1	0.894		
ESE2	0.885		
ESE3	0.886		
ESE4	0.892		

Table 2 Model Fit

Model Fit	Cut Off Value	Result
RMSEA	≤ 0.80	0.077
GFI	≥ 0.90	0.890
AGFI	≥ 0.90	0.854
NFI	≥ 0.90	0.938
RFI	≥ 0.90	0.927
IFI	≥ 0.90	0.960
TLI	≥ 0.90	0.952
CFI	≥ 0.90	0.960
PNFI	0.60 – 0.90	0.791
PCFI	≥ 0.50	0.809

Clarysse et al. (2011), while high-growth entrepreneurial intention, the dependent variable, was measured with seven items adapted from Drost & McGuire (2011). Following factor analysis, one item was removed, resulting in six items for this variable.

The collected data were analyzed using Structural Equation Modeling (SEM), a sophisticated multivariate analysis technique designed to examine complex relationships between variables. SEM is particularly effective for integrating measurement models, such as confirmatory factor analysis, with structural models to conduct comprehensive statistical tests. This approach allows for a nuanced understanding of the relationships among the study variables.

For the analysis, AMOS software was utilized, which supports the application of SEM by providing robust tools for model testing and validation. By leveraging AMOS, the study was able to assess the hypothesized relationships among the variables with a high degree of

Table 3 Normality Test

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
Hgei6	2.000	7.000	-1.019	-7.204	0.542	1.918
Hgei5	2.000	7.000	-0.826	-5.841	0.186	0.657
Hgei4	2.000	7.000	-0.978	-6.916	0.502	1.773
Hgei3	3.000	7.000	-0.875	-6.189	0.112	0.396
Hgei1	4.000	7.000	-0.706	-4.989	-0.677	-2.392
Hgei2	4.000	7.000	-0.778	-5.499	-0.500	-1.769
Ec1	3.000	7.000	-0.612	-4.329	-0.543	-1.919
Ec2	3.000	7.000	-0.807	-5.704	0.186	0.657
Ec3	4.000	7.000	-0.926	-6.545	-0.104	-0.366
Ese4	3.000	7.000	-0.735	-5.199	-0.465	-1.645
Ese1	3.000	7.000	-0.789	-5.583	-0.213	-0.754
Ese2	3.000	7.000	-0.817	-5.774	-0.106	-0.374
Ese3	3.000	7.000	-0.905	-6.399	0.096	0.339
Ee1	3.000	7.000	-0.508	-3.595	-0.615	-2.174
Ee2	3.000	7.000	-0.691	-4.886	-0.035	-0.125
Ee3	3.000	7.000	-0.637	-4.506	-0.206	-0.730
Ee4	3.000	7.000	-0.529	-3.741	-0.623	-2.202
Ee5	3.000	7.000	-0.707	-4.997	-0.297	-1.051

accuracy, ensuring the reliability and validity of the findings.

RESULTS

The measurement scale of the construct's study findings is displayed in Table 1. Composite reliability (CR) and average variance extracted (AVE) are used to test the reliability and the validity of the model. Table 1 shows that the CR value for all items are above 0.7 and AVE value for all items are above 0.5. Thus, it can be concluded that the model is reliable and valid according to Hair et al. (2017).

Table 2 shows the model fit of the structural model. Based on the data analysis, the value of RMSEA were below 0,80 and all the value of NFI, RFI, IFI, TLI, and CFI were above 0,90. Additionally, the PNFI value was 0,791 which is still in between 0,60–0,90 and PCFI value was above 0,50. Therefore, it can be concluded that the model is fit enough (Browne & Cudeck, 1992; Ghozali, 2013; Byrne, 1994).

Table 3 shows the normality test and data is found to distributed good enough in univariate because the critial ratio (c.r.) was below ±2,58 (Sarjono & Julianita, 2015).

Figure 1 below shows the output diagram and the maximum likelihood estimation is shown in Table 4. The result shows that H2 and H3 were supported in 1% level of significance but H1 was rejected.

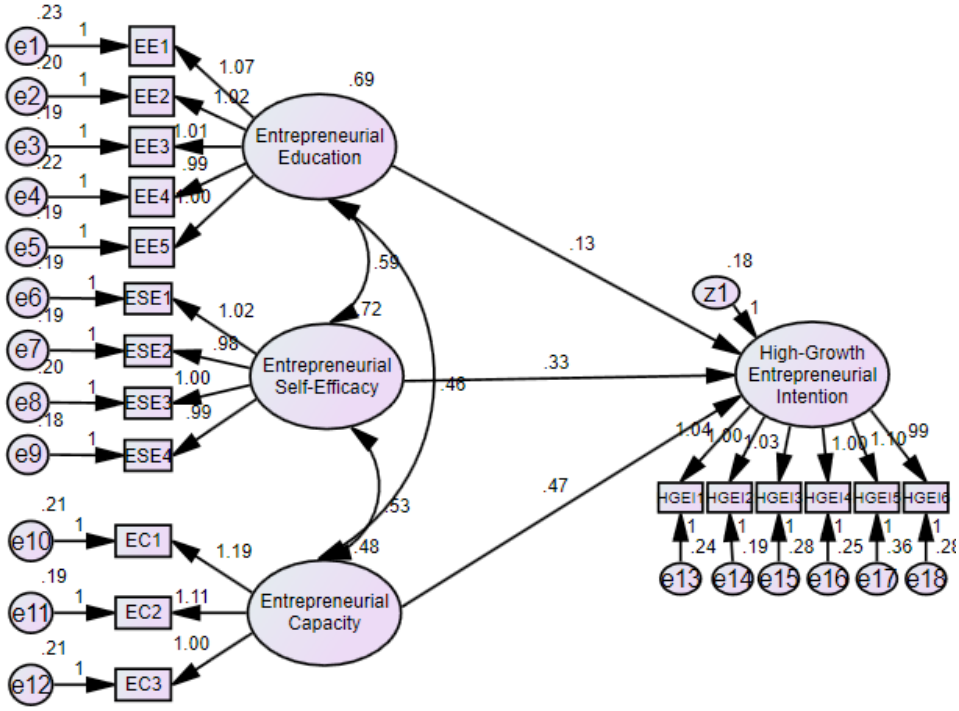

Figure 1 Output Diagram

Table 4 Maximum Likelihood Estimation

		Estimate	S.E.	C.R.	P
H1	EE → HGEI	0.125	0.075	1.665	0.096
H2	ESE → HGEI	0.333	0.118	2.815	0.005
H3	EC → HGEI	0.468	0.133	3.526	***

DISCUSSION

This study finds that entrepreneurial education does not significantly influence individuals' intentions to create high-growth companies. This finding is surprising, as entrepreneurs aiming for performance typically seek to expand their businesses. However, this result aligns with previous research, which suggests that entrepreneurial education fails to adequately explain students' intentions to start a business. This shortcoming is attributed to the theoretical and knowledge-oriented nature of current educational approaches, which lack practical, entrepreneurial projects (Kariv et al. 2018; Kusumojanto et al. 2021). Passaro et al. (2018) also found that entrepreneurial intention is primarily driven by motivation, personal background, and personal attitude, indicating that entrepreneurial education has minimal to no impact on the development of entrepreneurial intentions.

In contrast, entrepreneurial self-efficacy was found to significantly impact individuals' intentions to build high-growth businesses. Self-efficacy, which involves an individual's assessment of their cognitive and physical capabilities to handle situational demands, affects their persistence, resilience, and self-enhancing thoughts in the face of challenges (Sweida & Reichard, 2013; Chien-Chi et al. 2020; Araki et al. 2024). This finding supports previous research, which asserts that individuals are more likely to pursue high-growth entrepreneurial ventures when they have confidence in their ability to fulfill the responsibilities and duties of an entrepreneur successfully (Prabhu et al. 2012; Bulanova et al. 2016).

Additionally, entrepreneurial capacity was found to have a positive and significant influence on high-growth entrepreneurial intention. This suggests that individuals with the necessary capacity—such as motivation, skills to identify and seize opportunities, the ability to take calculated risks, and persistence in translating creative ideas into action—are more likely to intend to start high-growth companies (Nguyen & Nguyen, 2023; Araki et al. 2024). Díaz-Casero et al. (2012) argued that factors like research and development transfer and cultural social norms positively impact entrepreneurial capacity, indicating that environmental factors play a role in shaping entrepreneurial behavior.

CONCLUSION

The low effectiveness of entrepreneurial education in stimulating intentions to create high-growth companies highlights several avenues for future research. It is crucial to conduct a more detailed analysis of the aspects of entrepreneurial education that are less effective in fostering high-growth intentions. Exploring alternative teaching methods, particularly those emphasizing practical learning and the application of knowledge, could be beneficial. Additionally, examining the impact of mentoring and real-world exposure within traditional entrepreneurial education settings may offer insights into more effective strategies for developing individuals' entrepreneurial intentions.

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