

## Entrepreneurial Passion as Mediator of the Entrepreneurial Self Efficacy and Entrepreneurial Performance, Relationship: An Empirical Study in Small Medium Businesses

Muhammad Awais Siddiqui\*

Management department, Allama Iqbal Open University, Pakistan

### Abstract

On the Small Medium Enterprises, the paper aims to study the effects of entrepreneurial self- efficacy on entrepreneurial performance, while mediating the identity impact, that consider to be the important stimulating factor to drive passion in entrepreneurs for developing and founding new enterprises. From a source of self-efficacy and self-concordance theory perspective, the study assumes to apply exploratory factor analysis through direct oblimin rotation in order inspect discriminant validity concepts. Further, in order to analyze the causal relationship between entrepreneurial self-efficacy and entrepreneurial performance, while taking its mediating effect study apply hierarchical regression technique using SPSS. However, empirical findings allow us to understand the significant relationship between entrepreneurial self-efficacy and entrepreneurial performance. The study also suggests to explore the impact of identity in entrepreneurial passion further its relational impact on individual self-efficacy and performance through empirical findings. The study provides a mechanism that regularized passionate entrepreneur's self-efficacy and improves their individual performance.

**Keywords:** Entrepreneurship; Performance; Relationship; Small Medium Businesses; Mediator

### Introduction

Performance required a great hardship, commitment and objectivity in order to attain the desired level among the competitors. Entrepreneurial commitment is a key indication that exerts consistent effort in the ups and downs of the enterprise [1]. In order to achieve desired enterprise goals, performance is a very important factor in entrepreneurship. For this it is very much important to understand which factors influence entrepreneurial performance.

The most influential factor that plays an important role to enhance performance in entrepreneurship is self-efficacy [2]. As Hallak et al. [3] in his study in the area of tourism management found self-efficacy as an important predictor of entrepreneurial performance and suggest that entrepreneurial self-efficacy as a strong predictor of high performance. Based on the self-efficacy theory [2] it is described as the individual confidence in his abilities that derive potential which stimulate him to ascertain enterprise performance. Self-efficacy is considered to be the critical factor in entrepreneurship because it continuously exerts a force to keep on performing even in the challenging situation [4]. When an individual believes that he can do it, then his confidence leads him to perform well in his entrepreneurial career.

It is observed that another critical factor that highly relate to entrepreneurial performance is identity impact, particularly in entrepreneurial passion [5]. Centered on the self-concordance model, self-identity includes connecting one's personality with certain behavior which encourage him to pursuit goals even when a person is getting sick of doing the same process [6].

Moreover, few researchers in different fields attempt to find out the association between entrepreneurial self-efficacy and performance [7] and also suggest that there is still need to examine how both of these constructs affect entrepreneurial performance in different field of study. So if our purpose mediating the relationship found, then this play a helping role in understanding the phenomena, with more clarity that, why self-efficacy is so impactful for entrepreneurial performance due to self-efficacy on entrepreneurial passion relationship.

However, our prime objective is to empirically examine the entrepreneurial role in view of its potential factors which have an impact on entrepreneurial performance. In past little attention is paid, particularly in an entrepreneurial role [8-14]. However Cardon et al. [5] shed a light on the passion as instinct factor that stimulate entrepreneurship role in a substantial way. Previously Cardon et al. [15] attempts to set, entrepreneurial passion as a criterion validity measure of entrepreneurial passion for founding and developing. Study results failed to find out the relationship of passion on developing, but found a unique relationship with entrepreneurial passion for founding. According to Cardon et al. [9] entrepreneurial passion for founding and developing are both the potential drivers of high performance, so that is why she suggests to find out their relationship because passion for developing is also a potential contributor to entrepreneurial performance [5]. Hence on the basis of his suggestion study aims to examine the relationship of both the potential drivers of passion on entrepreneurial performance because performance is a critical factor that advances the entrepreneurial career successfully. However, in the best of our information the relationship has not yet examined empirically between passion (developing and founding) and performance.

Secondly, the study aims to add to the work on self-efficacy and performance. On the other hand the relationship among self-efficacy and performance is well documented in small medium enterprises

**\*Corresponding author:** Siddiqui MA, Management department, Allama Iqbal Open University, Pakistan, Tel: 051 9250103, 905-7502; E-mail: [Awaisiddiqui96@gmail.com](mailto:Awaisiddiqui96@gmail.com)

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[2]. The study aims to find out the relationship of entrepreneurial self-efficacy and performance while mediating the effect of passion in the model. We further suggest that inclusion of passion may diminish the importance of previous research results, but if research supports the study, then this may help to find out other potential factors which stimulate passion in order to achieve desired performance in entrepreneurship.

The research proceeded by reviewing the role of performance in entrepreneurship. Then we deliberate the potential effects of entrepreneurial self-efficacy on performance simultaneously through passion. Further study aims to find out the potential constructs passion for founding and developing impact by mediating its role. Then we aim to test the hypothesis at the end, we aim to discuss the results with implications.

## Literature Review and Hypothesis

### Performance in entrepreneurship

The performance requires objectivity to make the decision for specifications or goals [10]. Entrepreneurial Performance is the individual's ability to be effective in many careers (e.g., Medication, Store, Suppliers, Marketing, etc.) help to attain better outcomes in discussions [11], to obtain company success. Entrepreneurial performance is to promote primary company concepts, developing new products, identifying market opportunities, make a modern environment, building healthy investor relationships, and also ready to react upon amazing market patterns [12]. Entrepreneurial commitment level was a key indication of the best possible performance allowing entrepreneurs to keep continue to go on as they proceed against the opportunities and get over fatigue and pain to complete a procedure or meet a procedure [1]. For instance, the effective entrepreneurs might have or make excellent self-regulatory [13] systems that help them to notice, control, and improve their own performance, and that provide them with enhanced attention of their own perceptively highly effective factors [15,16]. Besides the many actions engaged further, acquiring a concept, financing the enterprise, purchasing the sources required, building a place of work, selecting staff, promotion the provider along with merchandise or more, one common business person requires many weeks to secure a completely new organization journey on the floor [16]. As a result of enormous cost effective dedication of time, attempt, along with investment into a completely new organization to have this started out, and the ongoing cost effective dedication connected with sources to take care of the business, up to the particular indicates useful overall performance is necessary during this process. However, performance is very much affected due to entrepreneurial functions, such as positive and negative effects [17], so on the reasons for that, many of us assimilate the outcomes in the discussion underneath involving two critical elements proposed inside materials do the job to get related to functionality, entrepreneurial self-efficacy [12] in addition to entrepreneurial passion [9].

### Entrepreneurial self-efficacy and performance

Entrepreneurial self-efficacy is context specific valuate of self-efficacy. Based on "self-efficacy theory" [18] self-efficacy described as a person's perception in his abilities to proficiently accomplish the projects of business enterprise. It is usually approved that persons who regarded on their personal capability and sources will be effective in their initiatives and show greater performance level [19]. Self-efficacy is considered to be the best interpreter of an individual's performance in common [20]. Self-efficacy is usually a state such as characteristic

that usually will increase together with encounter and is also extremely strongly related precise potential which influence the actual result [21]. For example, Cervone and Peake [22] discovered that the higher was the instated recognized self-efficacy, the longer people persevered on complicated and impossible problems before they quit. Therefore, people with a powerful sense of self efficacy will exert a higher level of attempt to get to know their responsibilities, and feature failing to things which are in their control, rather than accusing exterior aspects [23]. Thus, self-efficacy enables entrepreneurs to recover speedily via established facilitates, and at last will probably obtain their personalized objectives [18]. Conversely, people who have lower self-efficacy feel they cannot perform the job, and thus are generally less likely to make a critical, prolonged attempt as well as many consider complicated projects as risks that are to be prevented [24].

Self-efficacy specifically, is regarded the most immediate inspirational aspects of performance [25]. The link between self-efficacy and performance provided the emotional literary work that is the base for the individual self-efficacy scale. Procedures involved in small companies are due to the entrepreneurial techniques, actions, and abilities of the individuals. A lot of the business owners could be recognized via business owners depending on their own identity connected with entrepreneurial self-efficacy [26] the way it performs a crucial part in creating their entrepreneurial objectives which cause to accomplish great entrepreneurial performance [27]. Entrepreneurial self-efficacy impacts performance by impacting business owner passions, inspirations, and determination levels [26]. It is also favorably relevant to entrepreneurial performance [28]. For example, in a study of over 300 business supervisors, discovered a positive connection between entrepreneurial self-efficacy and entrepreneurial performance. They describe that when person have a question in his capability, then he is not able to execute well, hence self-efficacy performance relationship. Centered on prior self-efficacy research, we believe that entrepreneurial self-efficacy may positively relate to entrepreneurial performance even when they are experiencing complicated or uncertain difficulties in the company procedure. Thus, such powerful determining may cause to better results from the procedure. So, we hypothesize that:

*Hypothesis 1:* Entrepreneurial self-efficacy is positively related to entrepreneurial performance. Even though all of us predict making certain the company this link inside our exploration, all of us add to the literary functions by indicating that will enterprise awareness may mediate the hyperlink among entrepreneurial self-efficacy and performance. For this sort of mediation to occur, self-efficacy has to positively relate to passion and entrepreneurial passion should positively relate to entrepreneurial performance. We take the actual previous link first, then a second option.

### Entrepreneurial self-efficacy and passion

Passion is determined as a different range of positive impacts, such as pleasure [29] really alike [30,31], understanding, along with happiness [32] which happen to include in the entrepreneurial process and gives a mental supply with regard to working with entrepreneurial difficulties. Appreciation has been related to travel, dedication, want to do the job expanded hours, bravery, fantastic stages associated with energy, along with dedication facing difficulties [29] in order to perform well [33]. For entrepreneurial passion, self-identity is regarded an essential element, and this can be deemed the "subjective perception of by yourself to be a person" [34]. Cardon et al. [5] boasts that will business passion likely be included quite possibly unique stages of desire to have distinct positions along with associated behavior that are frequent throughout entrepreneurship such as a desire to have creating possibilities, desire

to have start brand-new firms, and also desire to have generating the organization. Therefore, to comprehend the passion of business owners, commitment along with self-efficacy and also performance, many of us consider just the identity-meaningfulness elements of the build by concentrating on the two particular factors associated with individual desire for founding and developing of business.

Passion is turned on not because some entrepreneurs are naturally getting rid of to such emotions, but rather, because they are involved in something that pertains to a significant self-identity for them [9]. Such as, acknowledgement notion shows that individuals will probably realize together with issues that they are confident throughout performing, so that you can safeguard their thoughts of self-efficacy [34]. Most entrepreneurs who are involved in identical role are more passionate toward creating and developing company. Therefore, identity identification is a fundamental piece of entrepreneurial passion, showing which self-efficacy must estimation your identity identification section of passion and individuals are generally fervent about the components of their identity that a lot of fulfill their particular self-esteem as well as self-efficacy needs [34]. This means that identity identification as a part of entrepreneurial passion and it may take place when self-efficacy is extremely good.

### Entrepreneurial passion and performance

The other offered mediation is the relationship associated with entrepreneurial passion and performance. Individual passion, which include personality connected factor may perhaps enjoy an important aspect within enhancing upwards entrepreneurial efficiency. A good identity principle zoom lens, that supply helpful tips in wherever focus may well appear it affect performance [9].

Murnieks as well as Mosakowski [35] likewise create facts, in view of that enthusiasm is developed whenever a large entrepreneurial personality will be substantial. In the same way, the silent majority in a new start ups extremely involving in a certain identity, position (such seeing that “runner” “dieter” or “entrepreneur”) are usually carried out nicely within the accomplishment with regards to affiliated objectives [6]. These kinds of self-meaning includes connecting one’s personality using a certain behavior or strategy of accomplishing, individuals in the company effects just one defines [6]. That takes place while using self-concordance design [36,37], which will be based upon self-determination thought [38,39]. Within the self-concordance design, entities indulge in objectives extended after they experience extremely strategy for founding and for the purpose or after they discover with the uncovered with the goal [6]. They will accomplish their finest to keep efficiency because of the personality, by contribution in certain

kinds of behavior, even though they do not possess “great knowledge, expertise, or sources in order to anticipate achievements” [6]. To ensure factors information on persona, identity provokes some sort of founder personality, in which the entrepreneur’s focus involved within founding some sort of enterprise with regard to commercializing as well as choices and also get their self as a developer role, in which the entrepreneur’s focus is good for proper behavior in order to grace with presence to, growing, as well as growing this enterprise as soon as it is often created [40]. Typically, particular person’s energy with regard to identity, importance as well as consonance of their behavior [41], due to the fact “once the facts are usually built-into this self-concept, entrepreneurs are extremely enthusiastic to act in ways efficient with those facts [42,43] to have an entrepreneurial efficiency. Based on the above discussion, we hypothesize that:

*Hypothesis 2:* There is a positive relationship between entrepreneurial self-efficacy and performance when mediated by entrepreneurial passion for founding.

*Hypothesis 3:* There is a positive relationship between entrepreneurial self-efficacy and performance when mediated by entrepreneurial passion for developing (Figure 1).

### Methodology

We test our hypothesis with a sample of entrepreneur’s who are working in Lahore region. The sample is taken from small firms, which are profit base firm, privately owned and have worked with less than 15 employees. For newly started venture first six years is very critical from the development point of you [44]. The main aim of the research is to collect data from those entrepreneurs who are in search of identifying new market opportunities in order to expand their businesses as well as from those who are very much profound to develop their firms, so for this sake we aim to select those entrepreneur’s whose experience to operate business is in between 7 to 10 years maximum. As our focus on small entrepreneur’s, because they assume to be more vibrant in order to identify market opportunities and further develop their business, so that we come to know that the basic instinct factor which stimulate small business entrepreneurs to lead to entrepreneurial performance while others failed to achieve [45].

### Survey design

The study assumes to collect data using previous validated scales. As developed and validated constructs or scales help to reduce social desirability biasedness [46]. The data aim to collect through questionnaire method from the entrepreneur’s working in Lahore Region. For the convenience of entrepreneur study aim to separate

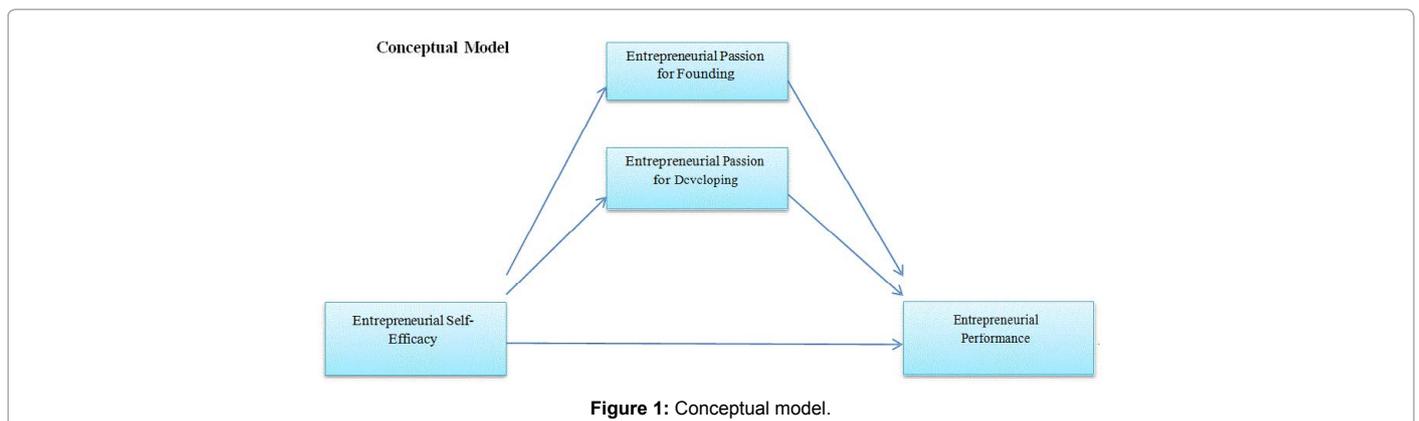


Figure 1: Conceptual model.

criterion and predictor variables in a survey so that it finds easy for the entrepreneur's to respond [46]. The anonymity factor is also assumed to be employed in the questionnaire so that the entrepreneurs respond honestly without feeling fear to leak out the personal information. Different scale end points may apply in the questionnaire so that respondent does not lose his interest.

### Measures

A survey assumes to collect on a five point scale from strongly agree to disagree.

**Entrepreneurial performance:** To measure the performance individuals are considered as the unit of analysis. To measure the entrepreneurial performance personal self-assessment of entrepreneur's is required, so that it draws a clear picture in order to understand how they rate business performance according to their abilities. In this regard, a scale developed by Kropp et al. [47] is assumed to be used in our study. The subjective measure of performance is not unusual in small businesses. However, for this sake five-point Likert scale from strongly disagree to strongly agree is used to collect the entrepreneurial subjective business performance which is used to validate entrepreneurial business performance. Scale is previously used and validated by the Hallak et al. [17] in his study.

**Entrepreneurial passion:** The scale which assumes to apply for entrepreneurial passion is derived from Cardon et al. [48] study. For entrepreneurial passion separate measures are to be chosen for entrepreneurial passion for founding and development and one sub scale item for each category is to be used which is identity centrality and the same was adopted from the study of Cardon et al. [48]. Four items assume to be used for entrepreneurial passion for founding and three items scale assume to be used for entrepreneurial passion for developing. The scale has previously used and proof to be valid by Cardon et al. [48].

**Self-efficacy.** In order to assess the entrepreneurial self-efficacy four items Scale designed is used. The scale is used and validated previously by Zhao et al. [49]. Respondents were asks to indicate their self-confidence being an entrepreneur (e.g., identifying new business opportunities, creating new products or services, thinking creatively, and commercializing an idea). They were asked to indicate their confidence on a five-point scale (1=not very confident, 5=very confident).

**Control variables:** Firms age, and number of employees are assumed to consider as control variables.

### Results and Discussion

We assume to employed exploratory factor analysis through direct oblimin rotation in order to inspect the discriminant validity of the concepts, because the oblimin rotation factor allows examining the accurate impact of all influences [49]. Further, we assume to apply hierarchial regression analysis using SPSS because for small sample size this technique is very much valid, especially in entrepreneurial research studies [50,51]. For large sample size exploratory and confirmatory analysis are generally used to reduce the sampling error, researchers notes that sample size more than 50 respondents provides adequate reliability for exploratory factor analysis [52]. Exploratory factor analysis with direct oblimin rotation was conducted to examine the discriminant validity of the constructs, and found items were above 0.40 and retain for the study which results are shown in Table 1. Confirmatory factor analyses were further conducting using AMOS

	1	2	3	4
a3	0.712			
b3	0.714			
v3	0.58			
d3	0.655			
f3	0.64			
a4	0.558	0.667		
b4		0.725		
c4		0.697		
d4			0.592	
a5			0.674	
b5			0.657	
c5				0.786
a7				0.739
b7				0.727
c7				0.488

Effect of entrepreneurial self-efficacy on each type of passion—passion for founding, and developing—and each effect was positive and significant at  $p < 0.001$ .

Table 1: Confirmatory analysis in SPSS.

18.0 (IBM, Armonk, NY, USA) to determine cross factors loading and found measures were fit for the model (Table 1).

Table 2 provides the means, standard deviations, and correlations for variables used in the study. All measures have Cronbach's alpha reliabilities greater than .7, which is considered acceptable [53]. The conceptual model and hypotheses were tested using hierarchical regression analysis using SPSS (18.0, IBM). Studies with smaller sample sizes are common in entrepreneurial research [51], and use of regression analysis avoids issues of model fit that can become problematic with use of structural equation modeling in small data sets [54,55]. In the first step, control variables were entered with performance as the outcome variable. In the second step, entrepreneurial self-efficacy was entered. In the third step, each type of passion was entered individually, resulting in the two models to test hypothesis 2, and hypothesis 3. Results of these regressions are displayed in Table 3. In hypothesis 1, we argued that greater entrepreneurial self- efficacy would lead to greater entrepreneurial performance, which was supported ( $\beta = 0.458, p < 0.01$ ). In the remaining hypotheses, we argued that entrepreneurial passion mediates the effect of entrepreneurial self-efficacy on entrepreneurial performance, and these hypotheses were first tested following procedures recommended by Baron and Kenney. If mediation is present, we would expect the effect of self-efficacy on each type of passion to be significant, and would expect the effect of self-efficacy on performance to be reduced with the addition of passion in the model. In addition to the models described above, regression analyses were run to determine (Tables 2-4).

Hypothesis 2 states that entrepreneurial passion for founding mediates the effect of entrepreneurial self-efficacy on entrepreneurial performance, and it is supported ( $p < 0.01$ ). Further, the coefficient for self-efficacy becomes insignificant when passion for founding is entered into the regression analysis (Table 3), indicating full mediation. Hypothesis 3, stating that passion for developing mediates the effect of entrepreneurial self-efficacy on performance, is also supported ( $p < 0.05$ ). However, the fact that the coefficient for entrepreneurial self-efficacy remains significant at  $p < 0.05$  (Table 3) suggests partial rather than full mediation (Table 4).

We examined whether the two types of passion mediate the effect of entrepreneurial self-efficacy on performance when examined simultaneously. Using multiple hierarchical regression analysis with

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Gender	1.41	0.49	-											
2. Mstatus	1.62	0.48	-0.09	-										
3. Age	2.32	1.02	0.02	0.465**	-									
4. HEDegree	3.28	1.21	0.1	0.04	0.06	-								
5. Tindustry	1.57	0.49	-0.002	0.275*	0.07	.274*	-							
6. Fage	2.07	0.77	0.07	0.255*	0.27*	0	0.07	-						
7. NEmloyes	1.41	0.52	0.03	-0.027	0.06	0.087	0	0.05	-					
8. Estatus	1.8	0.4	0.006	0.02	0.157	0.259*	-0.23	0.13	.272*	-				
9. ESE	3.9	0.72	0.03	-0.09	-0.185	0.218	0.18	-0.11	-0.18	0.15	-			
10. PFounding	3.96	0.46	0.018	-0.16	-0.112	0.367**	0.17	0.09	0.09	0.19	0.52**	-		
11. PDeveloping	3.99	0.56	0.032	-0.07	-0.197	0.304**	0.18	-0.03	-0.12	0.12	0.65**	0.79*	-	
12. EFP	3.8	0.73	0.15	0.07	-0.064	0.229	0.21	0.08	0.328**	0.251*	0.44**	0.46*	0.40**	-

\*\*p ≤ 0.01 \*p ≤ 0.05 Regression results (standardized coefficients)

Table 2: Descriptive statistics, scale reliabilities, and correlation table.

DV EP	Model 1	Model 2	Model 3	Model 4	Model 5
Gender	0.12	0.122	0.147	0.124	
Mstatus	0.1	0.127	0.181	0.129	
Age	-0.19	-0.114	0.081	-0.091	
Hedegree	0.86	0.041	0.07	0.009	
Tindustry	0.22	0.109	0.173	0.1	
Fage	0.04	0.09	0.104	0.079	
Nemployees	0.26	0.392	0.151	0.399	
Estatus	0.23	0.087	0.215	0.083	
EPfounding			.201**		0.391
EPDeveloping				0.183*	-0.098
Adjusted R Square	0.16	0.332	0.36	0.342	0.244
R Square		0.418	0.451	0.436	0.275
F	2.664	4.87	4.933	4.643	8.84

\*p ≤ 0.05; \*\*p ≤ 0.01 Regression Results (standardize coefficients)

Table 3: The effect of entrepreneurial self-efficacy and entrepreneurial passion on entrepreneurial performance.

	Passion for founding	Passion for Developing
Gender	-0.074	-0.009
Marital status	-0.228	-0.008
Age	-0.004	-0.12
HE Degree	0.28	0.177
T industry	0.057	0.048
F age	0.222	0.063
N employees	0.16	-0.036
E status	0.160	0.22
ESE	-0.019	0.57
Adj R square	0.35	0.38
F	5.192	5.77

Table 4: The effect of entrepreneurial self-efficacy on entrepreneurial passion.

performance as the dependent variable, we entered entrepreneurial self-efficacy alone in the first step, adding the three types of passion simultaneously in the second step. While the effects of passion for founding on performance is positive and significant ( $p < 0.01$  and  $p < 0.05$ , respectively; see Table 3, Model 5), while the effect of passion for developing is insignificant ( $p < 0.01$  and  $p < 0.05$  respectively). Arguing that inclusion of passion item will reduce the impact of relationship between entrepreneurial self-efficacy and performance.

We found that passion for founding reduces the self-efficacy impact on performance. However, passion for developing is not significantly support our argument hence, proved non-significant.

## Conclusion

This research examined the relationship between ESE and entrepreneurial performance by mediating passion for founding and developing new enterprises among entrepreneurs serving in services or manufacturing businesses. It focused on the individual entrepreneurs as the unit of analysis as he or she has a dominant influence on the business activities. Focusing on entrepreneurs in Upper Punjab region of Pakistan, we find that contrary to previous studies conducted in other industries, entrepreneur's passion fuel self-efficacy and increase the entrepreneurial performance.

The purpose of our study was to examine two espoused drivers of performance in entrepreneurship, specifically looking at the relationship between entrepreneurial self-efficacy and performance, both directly and as mediated by entrepreneurial passion for founding and developing. Prior research has found evidence that self-efficacy has a strong relationship with entrepreneurial performance [7] but given that entrepreneurial passion has also been suggested to have an influence on engaged goal pursuit [5], and previous work that has suggested that passion rather than self-efficacy is a key driver to regulate entrepreneurial behavior [48], we sought to examine how these variables work together in their influence on entrepreneurial performance. However, results confirms that passion immensely effect the entrepreneurial self-efficacy. Contrary to this we assume passion for development new enterprises invigorate the individual performance, but result differs this argument which is in confirmatory with the previous study conducted by Cardon et al. [5]. Study confirms that identity centrality plays a driving role in pursuing entrepreneurial journey.

The conceptualization of entrepreneurial passion is based on an individual identifying with active "do-er" identities of founder, and developer, all associated with doing things, with engaging with activities [9]. Because of this, entrepreneurial passion may be more relevant to individual performance especially in the face of failures. Overall results suggests that it is passion that derive entrepreneurial self-efficacy and improve individual performance. Feelings of self-confidence in pursuing entrepreneurship may make entrepreneurs more passionate

because people tend to identify with activities they are good at. When their self-efficacy leads to passion for an activity, their passion in turn appears to drive entrepreneurial pursuits, for founding and developing new enterprises.

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