

Beyond Profit: the Entrepreneurs' Knowledge and Entrepreneurial Journey of Pursuing

Entrepreneurs' Happiness¹

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1. Introduction

Should we encourage people to be continuously engaged in their entrepreneurial journey? As we know that the benefit of walking long distances is to increase survival rates, the main reason of perseverance is about profit. The ultimate concern of promoting entrepreneurship is more than economic value; entrepreneurs' happiness and the quality of life should be the core issue. Entrepreneurs are dreamers, enthusiasts, and visionaries with high ambitions. Those traits and personalities are cornerstones of happiness. Compared with the abundant research on entrepreneurship that contributes to economic development, studies about the impact of individuals' perspective on entrepreneurial happiness are relatively scarce (Andersson 2008; Naudé et al. 2014). However, an increasing number of studies have strongly suggested that self-employed individuals experience greater well-being than company employees do (Binder and Coad 2013; Schneck 2014; Sevä et al. 2016). The reasons for this are financial performance (Aguilar et al. 2013), cognitive motivation (Carree and Verheul 2012), and lifestyle choice (Hytti et al. 2013; Schneck 2014). Although most studies on entrepreneurial

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happiness have focused specifically on the financial outcome of initiating new ventures or pursuing meaningful self-value, Kato and Wiklund (2011) proposed an action-based perspective to emphasize that entrepreneurs make rational decisions and engage in activities that maximize their happiness. Breaking various barriers during the entrepreneurial process is a long-term challenge; therefore, entrepreneurs should carefully consider decisions. Because logical decisions and practical behaviors rely on entrepreneurs' knowledge (De Clercq and Arenius 2006), an individual's knowledge base is a crucial factor that affects the quality of decisions that dominate entrepreneurial happiness. The purpose of this paper is to examine the relationships between entrepreneurs' knowledge, engagement, and happiness. We review studies related to both happiness and entrepreneurship that have used the terms happiness, life satisfaction, and well-being (Frey and Stutzer 2002; Ram 2010; Leung et al. 2011).

2. Theory and Hypotheses

2.1. Entrepreneurs' Knowledge and Entrepreneurship

Formal schooling and working experience will enhance entrepreneurs' ability to create "knowledge corridors" and discover opportunities (Shane 2000). Scholars have indicated that entrepreneurs not only rely on existing knowledge or practical experience but also individuals' exposure to external knowledge (De Clercq and Arenius 2006). In order to act quickly to capture new business opportunities, entrepreneurs are more likely to seek advices from social networks, such as experts, investors, mentors or consultants (Chrisman 1989; Chrisman 1999;

Ahsan et al. 2018). Because entrepreneurs accumulate social capital through social connections, their education level increases the possibility to extend external networks (Coleman 1988). Therefore, we present the following hypothesis:

Hypothesis 1: Entrepreneurs' existing knowledge is positively related to their exposure to external knowledge.

2.2. Entrepreneurs' Knowledge and Happiness

2.2.1. Entrepreneurs' Existing Knowledge and Happiness

Most empirical studies have suggested that the relationship between education and subjective well-being is positive (Chen 2012; Cuñado and De Gracia 2012). According to the literature, people with higher education levels earn relatively high incomes; therefore, high education among entrepreneurs will negatively affect satisfaction because of the high opportunity costs (Carree and Verheul 2012). However, Chen (2012) noted a statistically significant positive relationship between education and happiness when social networks and external knowledge from outsiders play a mediating role between the two factors. Scholars have noted that higher education generates excess social capital and enhances the opportunities to broaden a person's horizon (Pichler and Wallace 2009), which provides benefits for life satisfaction (Chen 2012). Therefore, we present the following hypotheses:

Hypothesis 2: Entrepreneurs' existing knowledge is positively related to their happiness.

Hypothesis 3: Entrepreneurs' exposure to external knowledge mediates the relationship between their existing knowledge and happiness.

2.2.2. Entrepreneurs' Exposure to External Knowledge and Happiness

Connecting to the world may broaden entrepreneurs' horizon, affect entrepreneurial

orientation (Cao et al. 2015; De Clercq et al. 2013), and reduce uncertainty. Entrepreneurs who overcome challenges will have increased self-confidence to launch new ventures (De Clercq and Arenius 2006). As individuals build stronger social capital, they will establish trust and have social interactions that increase their happiness levels (Leung et al. 2011).

Therefore, for entrepreneurs, social capital is also a substantial factor that predicts their happiness (Leung et al. 2011). Therefore, we present the following hypothesis:

Hypothesis 4: Entrepreneurs' exposure to external knowledge is positively related to their happiness.

2.3. Entrepreneurs' Knowledge and Engagement

2.3.1. Entrepreneurs' Existing Knowledge and Engagement

There are many stories about successful entrepreneurs who dropped out of college, such as Bill Gates, Mark Zuckerberg and Steve Jobs. Empirical research demonstrated the contrary evidence that the number of years of formal education will increase the probability of becoming self-employed; moreover, a general education has a strong positive influence on entrepreneurship in terms of becoming self-employed and success (Block et al. 2011; Van der Sluis et al. 2008). Entrepreneurship is a start-up process with various stages and including several engagement levels in the entrepreneurial process or ladder (Van der Zwan 2013; Minola et al. 2016). Several studies have focused on the link between risk-taking and knowledge, and scholars have noted that empirical support for higher education increases an individual's likeliness to engage in entrepreneurship (De Wit and van Winden 1989; De

Clercq and Arenius 2006; Sun et al. 2017). Therefore, we present the following hypothesis:

Hypothesis 5: Entrepreneurs' existing knowledge is positively related to their engagement.

2.3.2. Entrepreneurs' Exposure to External Knowledge and Engagement

Several factors influence individuals' pursuit of an entrepreneurial career. The first factor is the recognition of opportunities; access to information from outsiders may provide individuals with useful knowledge and increase their potential to exploit an opportunity, which is a necessary step when creating a successful business (Choi and Shepherd 2004; De Carolis and Saporito 2006). Second, when self-employed individuals encounter various challenges, substantial resources from external assistance can help them overcome obstacles. Therefore, De Clercq and Arenius (2006) emphasized the significance of "knowledgeable others," whose network relationships should be viewed as a resource base that extends entrepreneurs' capability to handle difficulties. Finally, external contacts will affect the entrepreneurial decision-making process, particularly the creation of new ventures (Davidsson and Honig 2003; De Carolis et al. 2009). Therefore, we present the following hypothesis:

Hypothesis 6: Entrepreneurs' exposure to external knowledge is positively related to their engagement.

2.4. Entrepreneurs' Engagement and Happiness

Most studies have indicated that the entrepreneurial process is complete when the new venture is created; therefore, the examination of career choices is only conducted at the beginning stage (DeTienne 2010). This concept of "one-shot" decision-making has generated

interest in exploring the relationship between entrepreneurs' engagement and happiness; many researchers have focused on examining the entrepreneurial decision-making that affects happiness and the influential antecedents (Binder and Coad 2016) or the demographic variables (Sevä et al. 2016). Kato and Wiklund (2011) proposed an entrepreneurial action-based theory and noted that a series of rational decisions will maximize self-employed individuals' happiness and well-being. Therefore, we present the following hypothesis:

Hypothesis 7: Entrepreneurs' engagement is positively related to their happiness.

2.5. Research Framework

This study reviews literature on entrepreneurship and happiness and integrates the concept provided into a new theoretical framework. Figure 1 summarizes the model of our research.

Figure 1 about here

3. Methodology

3.1. Data Collection and Sampling

This empirical study collected data based on the GEM, which is one of the world's foremost studies of entrepreneurship (Álvarez et al. 2014). The present study followed the back-translation process (Brislin 1980), which conducted a large-scale, cross-national survey by using a standardized questionnaire, and the Chinese version was translated from English into Mandarin by one of the authors. Three professors with research interest in entrepreneurship then independently checked the translation, and then conducted a joint

session to solve discrepancies. We selected 776 valid samples from subjects who provided complete information for the present study.

3.2. Measures

Following De Clercq and Arenius (2006), they used educational level to measure entrepreneurs' existing knowledge and adopted the number of entrepreneurs' advisors to evaluate the effect of entrepreneurs' exposure to external knowledge. According to GEM, the results indicate 20 potential relationships that can provide suggestions regarding entrepreneurship. We measure the engagement degree for 0 (0 = absent) to 4 (established entrepreneurship). The outcome variable is entrepreneurs' happiness measured with a 5-item instrument, the Satisfaction with Life Scale (Pavot and Diener 2008),. The present study includes three control variables: gender, age, and income. Empirical studies indicate that these three variables have a significant effect on individual subjective well-being and knowledge (De Clercq and Arenius 2006; Naudé et al. 2014).

4. Results

4.1 Descriptive Statistics

Values are counts with percentage within group in brackets as Table 1.

Table 1 about here

4.2 Structural Equation Modeling

We use a path analysis in structural equation modeling (SEM) to test the study hypotheses

(Figure 2). The data in present study demonstrate a strong fit with the model ($\chi^2 = 8.71$ with $df = 3$, $\chi^2/df = 2.90$, SRMR = .021, CFI = .98, RMSEA = .049, NFI = .97). When conducting these path analyses, the variables described in Section 3.2 are included in the path model analysis. As seen in Figure 2, Hypotheses 1 ($\beta = .15$, $p < .10$) and 2 ($\beta = .05$, $p < .05$) are supported. Baron and Kenny's (1986) technique, as revised by Kenny et al. (1998), for testing mediation hypotheses is the guiding analysis technique we used to test Hypothesis 3. However, the results of the path analysis (Figure 2) indicate that entrepreneurs' exposure to external knowledge is not related to their happiness ($\beta = .00$). Therefore, the direct relationship between entrepreneurs' exposure to external knowledge and their happiness (Hypothesis 4) and the indirect effect of entrepreneurs' exposure to external knowledge (Hypothesis 3) are not supported. In addition, based on the results presented in Figure 2, Hypothesis 6 is supported ($\beta = .12$, $p < .05$); however, Hypothesis 5 is not supported because the direction is opposite to the original expectation ($\beta = -.07$, $p < .05$). As seen in Figure 2, Hypothesis 7 is fully supported ($\beta = .11$, $p < .02$).

Figure 2 about here

5. Discussion and Conclusions

Many studies have compared the differences in happiness between company employees and self-employed individuals; however, few studies have considered the entrepreneur process as a long journey that is stimulated by knowledge or employed start-up stages as a

representative of individuals' engagement levels, which serves as a determinant of happiness. Individuals with higher levels of education will extend their network, which drives entrepreneurs consistently work on start-up businesses. This finding supports De Clercq and Arenius's (2006) notion that many potential self-employed individuals are motivated by connecting with "knowledgeable others," who reduce risks or uncertainties and increase their willingness to engage in entrepreneurial action. The result is consistent with the "education paradox" argument (Robinson and Sexton 1994), which concerns the role of general education in explaining entrepreneurship. Most empirical research has supported the positive effect of education level on entrepreneurship, in terms of becoming self-employed and being successful (Robinson and Sexton 1994; Townsend et al. 2010); however, other studies have indicated no effect or a significantly negative effect. We believe that if the entrepreneurial decision is a continuous process which is captured in terms of the entrepreneurial ladder with five positions, the educational stages do not have a direct influence on entrepreneurial action; however, if education provides higher benefits of expanding individuals' social networks, it will encourage them to devote effort to consistently developing new ventures. Entrepreneurs' knowledge base not only continuously triggers their involvement in the start-up process but also significantly affects their happiness. Unlike Chen (2012)'s finding, the external network of entrepreneurs in our analysis was not found to play a mediating role between education and happiness. Our work goes beyond Chen's study by illustrating that entrepreneurial

engagement should consider as an important variable while discussing education, external network and happiness. However, networking ability can positively affect happiness only when entrepreneurial engagement plays the mediating role, which indicates that an individual's social network cannot directly make them happy; feedback and suggestions from others boost individuals' engagement, which facilitates their happiness. Our empirical findings indicate that entrepreneurs' engagement is a vital element for predicting happiness. The benefit of walking long distances is not only reducing entrepreneurs' uncertainty and improving their business survival rates but is also increasing their well-being. This study had three limitations. First, although the GEM is a worldwide research database, the present study only retrieved data from Taiwan. As GEM has become the biggest survey for internationally comparative entrepreneurship research, future research should observe data from more economies. Second, single measurements were adopted in the analysis. Because the sample was restricted to the GEM questionnaire, some of the constructs used only one question or item. For instance, the variable of exiting knowledge was evaluated using education, so future research should include multiple items to increase the confidence. Third, we used self-reported data for happiness, which may contain some form of cognitive dissonance; however, according to Sandvik et al. (1993), the using of self-report measurement of well-being is valid.

Please refer to the supplementary file for references, figures and tables.