

# Parenting Style, Risk Propensity, and Entrepreneurial Interest

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**Keywords:** Parenting Style, Risk Propensity, Entrepreneurial Interest.

**Abstract:** This study integrates four parenting styles (authoritarian, authoritative, permissive, and uninvolved), risk propensity, and entrepreneurial interest. Two hundred and seventy six (276) students studying at various universities were involved as respondents. A series of regression analyses found that authoritative parenting style was the strongest style to influence individuals' risk propensity and entrepreneurial interest. Furthermore, it was found that risk propensity was positively related to entrepreneurial interest. Theoretical and practical implications are also discussed.

## 1 INTRODUCTION

Unemployment is a serious problem in Indonesia. According to the Central Bureau of Statistics, in August 2017, a total of 7.04 million people were categorized as unemployed workforces. If the unemployment rate is increased, the living quality of Indonesian society will lower, because it decreases income and social stability, and at the same time increases criminal activity. Therefore, all parties have to find a way to solve this problem. Entrepreneurship is believed to be one of effective solutions for the problem. Furthermore, Rachbini (2002) suggests that entrepreneurship is very necessary for developing countries such as Indonesia. Dr. Ir. Ciputra, one of the famous entrepreneurship practitioners and experts in Indonesia, suggests that a country should have at minimum 2% entrepreneurs of population if it aims to be a developed country. Drucker (1996) also suggests that all economy transformation should rely on the entrepreneurs in a country.

It is thus necessary to explore the factors impacting entrepreneurial interest (or sometimes labeled as entrepreneurial intention) (Liñán and Chen, 2006). Indiarti and Rostiani (2008) proposes that entrepreneurial interest can be influenced by two factors which are internal and external. To address this notion, this study focuses on investigating the influences of parenting style and risk propensity on entrepreneurial interest. Parenting style in this study is divided into four styles, namely

authoritarian-, authoritative-, permissive-, and uninvolved styles of parenting. In this study each will have different impacts on both risk propensity and entrepreneurial interest. In addition, it is suggested in this study that risk propensity may influence the degrees of individual interest on doing entrepreneurship activities.

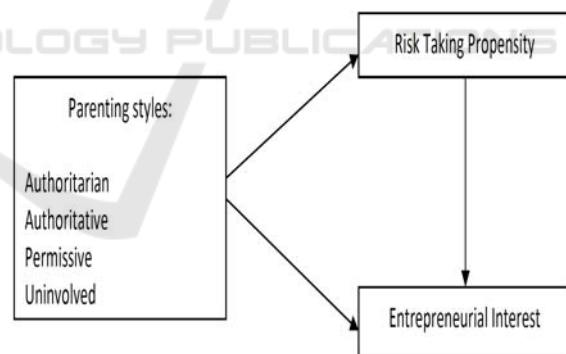


Figure 1: Research Model.

## 2 LITERATURE REVIEW AND HYPOTHESES

Parents have a very significant roles in the development of their children in many life aspects (Schmitt-Rodermund and Vondracek, 1999; Steinberg et al., 1991).

Table 1: Parenting Style Dimensions and Characteristics.

Parenting dimensions	Low acceptance/responsiveness	High acceptance/responsiveness
High demandingness/control	<p><b>AUTHORITARIAN</b></p> <ul style="list-style-type: none"> <li>• Lack of close communication</li> <li>• High control</li> <li>• Emphasizing on giving punishments</li> <li>• Strict rules</li> <li>• Forcing children to do what have to do</li> </ul>	<p><b>AUTHORITATIVE</b></p> <ul style="list-style-type: none"> <li>• Maintaining a good communication</li> <li>• Frequent discussion</li> <li>• Listen to children's perspective and problems</li> <li>• Giving responses</li> <li>• Emphasizing on rules combined with strong attention</li> </ul>
Low demandingness/control	<p><b>UNINVOLVED</b></p> <ul style="list-style-type: none"> <li>• Lack of emotional attachment</li> <li>• Provides no or very trivial supervision and affection, because the parents are busy with their own life problems</li> <li>• Lack of interest to giving attention on children's behavior and future hopes</li> </ul>	<p><b>PERMISSIVE</b></p> <ul style="list-style-type: none"> <li>• Lack of guidance</li> <li>• Giving no or insignificant punishments for children's wrongdoing</li> <li>• Less power compared to their children</li> <li>• Giving large extent of freedom to the children</li> </ul>

Parents are responsible for nurturing and giving examples which influence the behavior and attitudes of their children. Hurlock (1999) pointed out that the role of parents is to equip children with useful skills and knowledge by providing guidance and mentoring that will be useful in their future lives. It is believed that daily things about parents will also influence children's career choices. Parenting style refers to how a parent treat, educate, guide, and discipline their children (Koestner et al., 1999; Shyny, 2017). Thoha (1996) suggests that parenting style reflects the chosen approach to raise children. Each parent therefore has their own way to raise their children. A particular parenting style has a different impact as compared to other styles on children's psychology in the future (Baumrind, 1971).

A parenting style stems into two dimensions (Sigelman, 2002). First, acceptance/responsiveness describes how parents provide responses towards their children. The dimension measures the extent to which the parents show support, affection, and close communication to their children. Second, demandingness/control measures how the parents implement standards to their children. From those dimensions, theorists have proposed several kinds of parenting style. For instance, according to Baumrind (1971), there are four basic types of parenting, namely (1) authoritarian style, (2) authoritative style, (3) permissive style, and uninvolved style.

Authoritarian parenting style (high *demandingness/control* and low *acceptance/responsive*) refers to implementing strict rules, forcing children to behave as their parents have, and restricting the autonomy of children from choosing their preference as they want. Authoritative parenting style (high in both *demandingness/control* and *acceptance/responsive*) emphasizes on the recognition of children ability. Parents with this style will let their children not to too much rely on them. The next style is permissive (low in both *demandingness/control* and *acceptance/responsive*). Permissive parents tend to give a large extent of freedom to their children. The parents with this style believe that their children are mature enough to choose their preferences and behavior. Lastly, uninvolved parenting style (low in both *demandingness/control* and *acceptance/responsive*) characterizes a dispassionate communication and interaction between the parents and their children. In this sense, a strong emotional attachment between them is not developed. The following table shows the characteristics of the four parenting styles (Yatim and Irwanto, 1991).

According to (Suryana, 2006), an entrepreneur should have a list of traits which may include a sense of confidence, result oriented, moderate propensity of risk, strong leadership, creative, and future oriented. Risk propensity measures the extent to which one is willing to take or avoid risk-related to event (Shyny, 2017). As previously mentioned, parents have an important role in shaping children's personality on taking risk, more specifically through their parenting style, and this is very crucial. As such, risk-related aspects of entrepreneurship can be developed as a child was raised by certain parenting style. This study specifically investigate the impact of the styles on risk propensity and entrepreneurial interest (Brockhaus, 1980) (Figure 1).

An entrepreneur should face two possibilities, advantaged and disadvantaged situations and profit or loss (Hanafi, 2006). It means an entrepreneur constantly faces an uncertain situation or risk. Entrepreneurship risk can be defined as deviations of the rate of investment return. The act of avoiding or taking risk may impact on the amount of profit or loss one may get (Morris and Kuratno, 2002). Risk propensity refers to an individual attribute measuring in the extent to which he/she is willing to avoid or take risk in a particular situation. Risk is uncertain results as a consequence of an event, namely an event that result in desirable or undesirable outcomes. Risk is very relevant to entrepreneurs, since they face uncertain results from

their activities and decisions. As entrepreneurs they have to find opportunities provided by the business environment and how to execute them in real business activities. The activity may include issuing a new product/service, implementing a modified production process, opening new market, running a new institution in an industry, and developing a new industry. The decisions may include how much money will be used for investments, where to find the fund, and how to manage the business process. Even though entrepreneurs have to minimize negative consequences resulting from a decision, they may fail to do so. To some extent, a risk-free situation is impossible for all entrepreneurs.

The mentioned parenting styles have their own advantages and disadvantages (Grolnick and Ryan, 1989). Authoritarian style implements strong control and strict rules on children, therefore, it may be that the willingness of taking risk will not be developed. By implementing strong rules and close relationship and attention, parents with authoritative style will help their children take opportunities which are provided by their environment (Schmitt-Rodermund, 2004; Schmitt-Rodermund and Vondracek, 1999). It means that the children are also required to take risks at the same time. Since a strong emotional attachment developed between parents and children, the children may also perceive strong support when they are taking opportunities with the risks. With permissive style, parents let their children to choose what they want. The children may take some risk. However, without a significant guidance they may not have right direction which opportunities and risks to take. Lastly, uninvolved style may not be very favorable for the development of children's risk propensity. In light with the above argumentation, the following hypothesis is proposed:

H1: The positive influence of authoritative parenting style on risk propensity is the strongest among the three other styles, i.e., authoritarian, permissive, and uninvolved.

Entrepreneurial interest can be defined as the degree of individual intention to be an entrepreneur. This interest is influenced by the interactions of personal attribute and external factors (Bygrave, 2003). In

this sense, entrepreneurial interest is not a heredity factor, but it should be developed during one's life. One factor is how one's parent nurtures during his/her childhood. Especially, this study examines the effects of the four parenting styles. Specifically, the authoritative parenting style will be favorable to develop children's interest on entrepreneurship. By enjoying an intimate relationship with their parents, individuals could also have a significant discussion about appropriate choices for future career (Schmitt-Rodermund, 2004). A good discussion may also improve children's perspective about advantage and disadvantage about a particular career choice. Such benefits may not be obtained by children with parents using the other three parenting styles. For example, although permissive parenting style parents let their children to explore career possibilities, but the children also do not have guidance about any consequences about a particular career choice. Therefore, this study proposes:

H2: The positive influence of authoritative parenting style on entrepreneurial interest is the strongest among the three other styles, i.e., authoritarian, permissive, and uninvolved.

In addition, this study proposes that risk propensity contributes to entrepreneurial interest (Brandstätter, 2011; Brockhaus, 1980). As previously discussed, because the activities within entrepreneurship involve risks, the tendency to take or avoid those risks is related with the entrepreneurial interest. Thus, the following hypothesis is formed:

H3: Risk propensity is positively related to entrepreneurial interest.

### 3 METHODS

#### 3.1 Research Respondents

The population of this study was students studying at universities in Yogyakarta. They were studying a variety of study programs, e.g., business, science, technology, social, and many more. An online survey method was used.

Table 2: Means, Standard Deviations, and Correlations.

Variable	M	SD	1	2	3	4	5	6
1. Authoritarian	2.16	.71	(.76)					
2. Authoritative	3.90	.69	-.39**	(.87)				
3. Permissive	3.52	.65	-.28**	.52**	(.71)			
4. Uninvolved	2.22	.69	.41**	-.28**	.05	(.84)		
5. Risk propensity	3.67	.62	-.05	.30**	.28**	-.02	(.82)	
6. Entrepreneurial interest	4.05	.82	.01	.26**	.25**	.02	.49**	(.93)

Note. N = 276, \*\*p<.01, two-tailed; Cronbach's alphas are presented in the parentheses.

## 3.2 Instruments

### 3.2.1 Parenting Style

Parenting Style was measured with the measure developed and validated by Shyny (2017). A total of 32 items stem into four dimensions, i.e., each dimension has 8 items. A sample item for the authoritarian dimension is “I strongly believe that my future is in my hand, and there is a strict time table for me to follow.” One item was deleted due to low loading. A sample item for authoritative dimension is “Important decisions of my family are done together and my parents give full freedom to me to share everything with my parents” (2 items were deleted). A sample item for permissive dimension is “My parent is very gentle with me and they cannot correct me by punishment” (two items were deleted). A sample item for uninvolved dimension is “My parents do not have any demand or control over me, and they give total freedom” (2 items were also deleted). The alphas were 0.76, 0.87, 0.71, and 0.84 for authoritarian, authoritative, permissive, and uninvolved, respectively. The alphas showed an acceptable reliability.

Table 3: Effects of Parenting Styles on Risk Propensity and Entrepreneurial Interest.

Variable	Estimate (Significance)	
	Risk propensity	Entrepreneurial Interest
Authoritarian	.10 (.128)	.14 (.043)
Authoritative	.25 (.001)	.23 (.002)
Permissive	.18 (.010)	.16 (.022)
Uninvolved	.00 (.949)	.02 (.734)

### 3.2.2 Risk Propensity

In measuring risk propensity, this study employed the eight-item measure of Hung et al., (2012). One item was deleted due to low loading. The alpha for this measure was .82, thus, it is reliable.

### 3.2.3 Entrepreneurial Interest

Entrepreneurial Interest was measured using the six-item of Liñán and Chen (2006). All items were found valid. The alpha was .93, thus, it is highly reliable.

## 4 RESULTS

Table 2 shows the means, standard deviation, and correlations among variables. As found, risk

propensity and entrepreneurial interest were positively correlated with the authoritative and permissive style. Furthermore, risk propensity and entrepreneurial interest were also correlated. The correlation coefficients were just at moderate in magnitude.

## 4.1 Hypotheses Testing

This study proposes that the positive influence of authoritative parenting style on risk propensity is the strongest among the three other styles (H1). As shown in Table 3, the regression coefficient ( $\beta$ ) of the authoritative style  $\rightarrow$  risk propensity was .25 ( $p < .01$ ) which was the strongest one as compared to the other coefficients. Therefore, H1 was supported. This study proposes that the positive influence of authoritative style on entrepreneurial interest is also the strongest among the three other styles (H2). The regression coefficient of the authoritative style  $\rightarrow$  entrepreneurial interest was .23 ( $p < .01$ ) which the strongest one as compared to the other coefficients. H2 was supported.

Finally, this study believes that risk propensity is positively related to entrepreneurial interest. As shown, a positive influence of risk propensity on entrepreneurial interest was also found ( $\beta = .48$ ,  $p < .001$ ). The result supported H3. In confirming the finding, some control variables were also included, namely gender (female = 0, male = 1) and employment status of parent (if both were employees = 1, if one was an entrepreneur = 2, and if both were entrepreneurs = 3). As also shown, the influence of risk propensity on entrepreneurial interest was .46 ( $p < .001$ ), confirming the previous finding.

## 5 DISCUSSION

This study aims to investigate (1) the influence of parenting styles on risk propensity and entrepreneurial interest and (2) the influence of risk propensity on entrepreneurial interest. As found, the hypotheses were supported by the analysis. As suggested, the authoritative parenting style is the most robust to improve risk propensity and entrepreneurial interest. This study also validates the importance of risk propensity on entrepreneurial interest. It is suggested that the higher the risk propensity, the more the individual has an interest on taking a career as an entrepreneur. This study found interesting findings. In terms of impact of the styles on both dependent variables, similar patterns were

found. Namely, as hypothesized, the authoritative style has the strongest influence on both variables. Furthermore, the permissive-, authoritative-, and uninvolved style were posited in the second, third, and fourth position, respectively. Although permissive and authoritative styles are not very favorable for developing risk propensity and entrepreneurial interest, they still have some contribution to the variables. Further research may investigate this phenomenon.

This study contributes to theory in several ways. First, this study discloses the relationships among the four parenting styles, risk propensity, and entrepreneurial interest, thus this adds validation on the relationships. More specifically, the findings suggest that among the four styles, the authoritative style is the most significant for the development of individuals' risk propensity and entrepreneurial interest. Consistent with prior finding, it is suggested that risk propensity contributes to entrepreneurial interest. For practice, this study delivers an insight to parents on which parenting styles may apply to improve risk propensity and entrepreneurial interest. However, since changing a parenting style to another style is not easy, educational institutions can play the roles of 'parents' who can implement authoritative style for their students.

Table 4: Effect of Risk Propensity on Entrepreneurial Interest.

Variable	Estimate (Significance)
	Risk propensity
Model 1: no control	
Risk propensity	.49 (.000)
Model 2: with 2 controls	
Gender	.06 (.272)
Parent's employment status	.16 (.003)
Risk propensity	.46 (.000)

## 6 CONCLUSION

The current study integrates the four parenting styles, risk taking propensity, and entrepreneurial interest. This study suggests that authoritative parenting style is the style that is likely to promote risk propensity and entrepreneurial interest. In addition, it also suggests that risk propensity promotes entrepreneurial interest.

Besides the important findings delivered by this study, it has several limitations. First, this study implemented a cross-sectional design of survey. It will provide a different perspective if parenting style is assessed by parents (Shyny, 2017). Second, the respondents were the students from various batches.

The students in earlier batches might have not yet decided about their career choice. Perhaps, future research could take data from students of the most recent batch. Third, Indonesian parents mostly use authoritarian style in nurturing their children. Therefore, future research may explore the effects of parenting styles in another cultural context where different patterns of relationships might be found.

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