

INFLUENCE FACTORS OF INTENTION TO BUSINESS TURNOVER FOR YOUNG ENTREPRENEURS

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ABSTRACT. *Some of start-up entrepreneurs experience expectancy disconfirmation during business operation. It will affect dissatisfaction of business operation and cognitive dissonance about the start-up. If the business situation persists, he/she will think of business turnover at the end. The purpose of this study is to develop a cognitive relationship model among expectancy disconfirmation, cognitive dissonance, and intention to business turnover. To achieve research objectives, we propose a simple structural relationship model based on the expectancy theory and cognitive dissonance theory. The model will contribute to defining the relationship among expectancy disconfirmation, cognitive dissonance and satisfaction, and intention to business turnover. The results showed that the negative expectancy gap between pro and post start-up performance strongly influences the cognitive dissonance and business turnover intention. Meanwhile, positive expectancy gap influences satisfaction, and finally it will decrease business turnover intention. We found that cognitive dissonance is the key variable to solving the business turnover problem for start-up entrepreneurs with expectancy disconfirmation at the early stage of start-up.*

Keywords: Young entrepreneur, Expectancy disconfirmation, Cognitive dissonance, Satisfaction, Intention to business turnover

1. Introduction. In the era of the 4th industrial revolution and creative economy, political support for young entrepreneurs is becoming more active in Korea. As a result, technology-based business start-up of young entrepreneurs is increasing rapidly. Generally, success factors can be different depending on various demographic characteristics such as gender, age, and business type. Nonetheless, the policies of entrepreneurship education and start-up support implemented by the government are indiscriminate and one-time because they do not reflect the requirement of field practice and entrepreneurs.

Because of the difference between the expectation of before start-up and the actual performance after start-up, the entrepreneur experiences the disconfirmation after the start-up business operation. Entrepreneurs seek to resolve cognitive dissonance problem. They may continue the business without any cognitive dissonance by solving strategies, such as attitude change, complaint behavior, and more information seeking. Some of them

will may think of business turnover at the end. They will experience very complicate cognitive process during business operation as business is going on.

The closure of start-up business that has accumulated a lot of investment and experience of entrepreneur will result in potential losses for the entrepreneur himself as well as for state. Therefore, it is very important to find critical success factors of start-up, moreover to explain the relationship among success factors. It is necessary to examine the relationship between antecedent variables and consequence variables of start-up success. To build explanatory model, this paper accepted expectancy and satisfaction theory [1,2] and cognitive dissonance theory [3,4]. The paper will prove that the performance-expectancy disconfirmation of start-up entrepreneur effects not only on the cognitive dissonance but also on the dissatisfaction, and finally on the business turnover decision.

In this study, we measure the inconsistency between the pro-expectation and the post-performance of start-up business operation. The target samples are young entrepreneurs who are interested in technology-oriented new business. We will propose a structural cognitive model to prove influential relationship of business performance-expectancy gap, cognitive dissonance and satisfaction, and finally on the intention to business turnover. The research model and empirical test will give us some comprehensive implications about start-up policy making for the government as well as cognitive process of business turnover decision for entrepreneurs.

2. Literature Review.

2.1. Expectancy disconfirmation. The expectation disconfirmation is derived from Tolman's expectation theory [1]. Performance is the result of experiencing an actual product. So, customers compare their expectations and actual performance after consuming or purchasing a product or service. When expectations are perceived to be greater than performance, they will dissatisfy with negative inconsistencies, and when actual performance is greater than expected, they are satisfied with positive inconsistencies [2]. Many studies have found that, after recognizing the disconfirmation between expectation and performance, they have experienced dissatisfaction and cognitive dissonance [3-7].

Generally, before starting a business, founders start their business with the expectation that their business will be going well. However, after actual start-up, reality and performance are much different from those expectation of before start-up. Therefore, in this study, we made a research model based on the hypothesis that the negative disconfirmation between expectation before the start-up and business performance will increase cognitive dissonance and dissatisfaction, and finally think of business turnover.

2.2. Cognitive dissonance. Theory of cognitive dissonance is a theory raised by American psychologist Festinger [4,5]. In the field of psychology, cognitive dissonance is the mental discomfort or psychological stress experienced by a person who holds two or more contradictory beliefs, ideas, or values. This discomfort is triggered by a situation in which a person's belief clashes with new evidence perceived by the person. When confronted with facts that contradict beliefs, ideals, and values, people will try to find a way to resolve the contradiction to reduce their discomfort [1,2]. This discomfort occurs in contexts where they are accepting the disadvantages of other alternatives with opposite their beliefs instead of taking advantage of the rejected alternatives.

Consumers lead to purchase decisions by selecting alternatives based on the perception of needs and evaluating alternatives for selection. Cognitive dissonance occurs because of mismatch between expectation before purchase and result after purchase decision [5]. Many consumers who have experienced cognitive dissonance try to solve the problem as various ways to solve psychological anxiety. In this study, we presume that cognitive dissonance can occur in the case of start-up and business operation situation. We defined the

cognitive dissonance after business start-up as psychological stress or mental discomfort after the negative expectancy-performance disconfirmation.

2.3. Satisfaction and intention to business turnover. Academic research on entrepreneurial satisfaction has continued with empirical and theoretical efforts. Entrepreneurial satisfaction is traditionally regarded as an important factor influencing not only on the start-up success but also on the survival and performance of a firm. Previous studies have found a direct and positive relationship between entrepreneurial satisfaction and business growth [8,9]. According to the expectation theory, an individual only takes a start-up action if his or her behavior comes to have a successful outcome, such as a positive value or another worthwhile result [10,11]. Particularly, Vroom (1964) asserted that a certain level of performance affects the outcome by the theory of expectancy theory [11].

Turnover intention has consistently been viewed by scholars as the most important variable in predicting behavior of employee turnover. Supporting this view, a study by Bluedorn (1982) found that individuals' turnover intentions matched their actual turnover behavior [12]. Salleh et al. (2012) proved empirically the relationship of job satisfaction, organizational commitment, and turnover intention among employees in the retail setting [13]. Turnover intention refers to the final cognitive decision-making process of voluntary turnover. In human resources management, it is defined as cognition process of employee's job withdrawal. The employee will have thoughts of quitting the job, intention to search for a new job, and intention to leave the organization. Turnover intention has been used as the dependent variable in numerous studies on employee turnover [14].

The concept of business turnover is divided into two parts: the broad concept is trying to develop various forms of business contents in various ways for the development of the company, and the narrow concept is only changes in the product and market area of the company. The difference between expectations before start-up and actual achievement after start-up by the various environmental changes of both inside and outside can lead business turnover. Therefore, this study presumes that the expectancy disconfirmation of performance or outcome between before and after the start-up effects on cognitive dissonance and satisfaction of entrepreneur, and finally all them effect on intention to business turnover.

3. Research Method.

3.1. Research model and hypotheses. We propose a research model and hypotheses consisting of three parts based on the theoretical background as reviewed in chapter 2. The research model is shown in Figure 1. Based on the research background and hypothesis, we propose a structural model with two mediating variables between expectancy disconfirmation and business turnover intention.

It is important for companies to create and maintain a sustainable competitive advantage. Sometimes, it is necessary to significantly reduce their main business area against a difficult business environment, and to establish a new business area as a core business and settling it as an important alternative [16]. Unlike large companies, small and medium business try to business transformation or turnover for new business against a difficult business environment [17].

Oliver (1993) stated that in his study, people assessed satisfaction by comparing perceived performance based on initial expectations [3]. If the actual performance is larger than expected, the satisfaction occurs by the positive inconsistency. When expectations are perceived as greater than performance, people experience dissatisfaction, regret, and anxiety due to negative inconsistencies [15]. In this case cognitive dissonance will occur. Yi (1994) stated that the less perceived performance is than expected, the more cognitive dissonance will occur frequently [6].

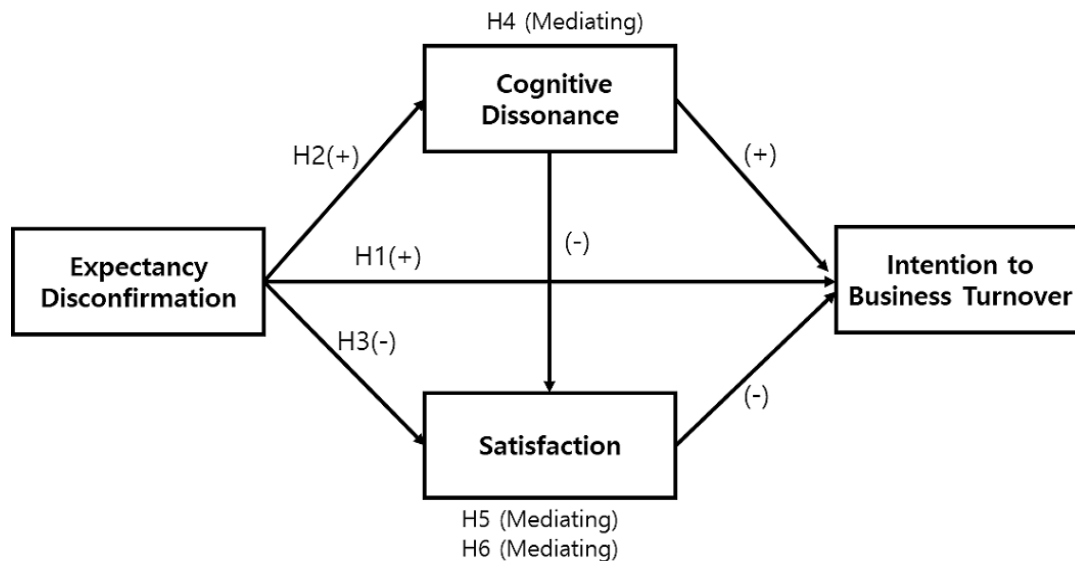


FIGURE 1. Research model

Based on these previous researches, the inconsistencies between the initial expectation and the actual performance of start-up entrepreneurs can influence intention to business turnover. There may be two mediating variables between them as shown in Figure 1. We suggest the following research hypotheses based on the research model.

[H1] Expectancy disconfirmation (negative discrepancies between initial expectation and actual performance) will have a positive effect (+) on intention to business turnover.

[H2] Expectancy disconfirmation (negative discrepancies between initial expectation and actual performance) will have a positive effect (+) on cognitive dissonance.

[H3] Expectancy disconfirmation (negative discrepancies between initial expectation and actual performance) will have a negative effect (-) on satisfaction.

[H4] Cognitive dissonance will mediate between expectancy disconfirmation and intention to business turnover.

[H5] Satisfaction will mediate between expectancy disconfirmation and intention to business turnover.

[H6] Satisfaction will play a mediating role between cognitive dissonance and intention to business turnover.

3.2. Operational definition of variables. The expectancy disconfirmation, i.e., inconsistency of performance-expectation is defined as the difference between the initial expectation of the entrepreneur before the start-up and the actual performance after the start-up. The operational definition of cognitive dissonance of start-up is defined as same as the cognitive dissonance of the definition of Festinger (1957) at the entrepreneurial environment. It is defined as psychological anxiety and regret due to the entrepreneurial decision after the start-up.

The satisfaction of entrepreneur was defined based on the study of Oliver (1993). It was defined as a positive evaluation of entrepreneurs about his start-up performance that had already inconsistency between expectations and achievements. The definition of intention to business turnover of entrepreneur is derived from the definition of employee turnover intention. Turnover intention is a measurement of whether a business' or organization's employees plan to leave their positions or whether that organization plans to remove employees from positions [14]. Intention to business turnover of entrepreneur is the result of the negative discrepancies between initial expectation and achievement that he had before and after the start-up. Due to the fact that the achievement was inconsistent with

the actual performance compared to the expectation, he will get in cognitive regret and dissatisfaction after the start-up of the business.

3.3. Samples. Based on the previous operational definition, we made a questionnaire and conducted a questionnaire survey to whom recently founded in the field of technology-oriented industry. The survey was conducted from March 2 to April 15, 2019 after the preliminary survey to verify the validity of the questionnaire. Of the 239 collected questionnaires, 18 were excluded because of invalid response, total 221 were used to analyze the sample from the questionnaire. SPSS 22.0 version was used for analysis. The demographic characteristics of the respondents were as follows, 159 males (71.9%) and 62 females (28.1%). The age of the respondents was somehow young, 46 (20.8%) in their 20s, 86 (38.9%) in their 30s, and 63 (28.5%) in their forties, 26 (11.8%) are more than fifties. Most of their business were established recently, less than one year 52 (23.5%), 1 ~ 3 years 76 (34.4%), 4 ~ 6 years 58 (26.2%), 7 ~ 10 years 26 (11.8%), and 9 (4.1%) were more than 10 years.

4. Statistical Analysis and Hypotheses Test.

4.1. Validity and reliability. To examine the validity of the measurement variables used in this research model in Figure 1, exploratory factor analysis was conducted. Principal component analysis and orthogonal rotation method (varimax method) were adopted for the factor analysis. The huddle of eigen value was 1.0 or more, and the factor load value was 0.6 or more. The results of the exploratory factor analysis showed that the eigen value of expectancy disconfirmation was 2.431, cognitive dissonance was 3.499, satisfaction was 3.210, and business turnover was 3.271, and total variance was 77.57% which tells an enough explanatory power. In addition, we used the Cronbach's alpha coefficient to measure the reliability of the measured variables to test the internal consistency of the multi-item measures of the measured variables. All the alpha value was greater than 0.7 which was sufficient value in the social science research.

4.2. Hypotheses test and mediating effect analysis. We test the hypotheses and verified mediating effects between expectancy disconfirmation (expectation-performance inconsistency) and intention to business turnover. We used three step regression analysis to analyze the mediating effect of cognitive dissonance and satisfaction of entrepreneurs. Table 1 shows the effects of expectancy disconfirmation (negative discrepancies between initial expectation and actual achievement) on intention to business turnover through cognitive dissonance and satisfaction. As result of the analysis, expectancy disconfirmation showed positive (+) effect on cognitive dissonance and business turnover intention within 1% significance level. Therefore, the hypothesis H1 was accepted with 1% significance level as shown in Table 1. Also, there is strong relationship between expectancy disconfirmation and cognitive dissonance with standardized beta value of 0.538. It supports the hypothesis H2 strongly.

Next, to test H3, we calculate the coefficient value between expectancy disconfirmation and satisfaction. The expectancy disconfirmation has negative effect on satisfaction within 1% significance level with $-.473$ beta value as shown in the second part of Table 1. As result of verifying the mediating effect of satisfaction on the relationship between expectation-performance inconsistency and business turnover intention, the standardized beta value in the second stage (expectancy disconfirmation \rightarrow intention to business turnover) decreased from $.243$ to 0.044 at Step 3. The level of significance between the independent variables and dependent variables at Step 3 was not satisfactory which indicated that there may be no mediation effect. So, we do not have enough evidence to accept H5 from the three steps regression analysis.

TABLE 1. Hypotheses test and mediating effect analysis

Variables	Steps for verifying mediating effects	STD Beta	<i>t</i> -value	<i>p</i> -value	<i>R</i> ²
Expectancy disconfirmation/ Cognitive dissonance/ Intention to business turnover	1 Step	.538	9.452	.000	.290
	2 Step	.243	3.702	.000	.059
	3 Step (Independent)	-.113	-1.772	.078	.363
	3 Step (Mediating)	.661	10.356	.000	
Expectancy disconfirmation/ Satisfaction/ Intention to business turnover	1 Step	-.473	-7.925	.000	.224
	2 Step	.243	3.702	.000	.059
	3 Step (Independent)	.044	.633	.527	.198
	3 Step (Mediating)	-.423	-6.129	.000	
Cognitive dissonance/ Satisfaction/ Intention to business turnover	1 Step	-.716	-15.161	.000	.513
	2 Step	.600	11.102	.000	.571
	3 Step (Independent)	.581	7.477	.000	.361
	3 Step (Mediating)	-.027	-.347	.729	

Also, we analyzed the mediating effect of cognitive dissonance. The mediating effect of cognitive dissonance between expectancy disconfirmation and business turnover intention was verified within the significance level of 10%. The standardized beta value at Step 2 (expectancy disconfirmation → intention to business turnover) decreased from 0.243 to -0.113 at Step 3. We do not have enough evidence to reject H4 within 10% significant level. This suggests that business turnover intention occurs when inconsistencies in expectations arise, also imply that cognitive dissonance will be a mediating variable to lower the intention to business turnover.

Finally, as result of verifying the mediating effect of satisfaction between cognitive dissonance and business turnover intention, the standardized beta value of cognitive dissonance in the second step decreased from 0.600 to 0.581 in the third step, but the significance of the third step parameter was not significant enough to prove the mediating effects between them. So, we do not have enough evidence to accept H6 right now.

5. Implications and Conclusion. The above 3 step regress analysis and hypotheses test results give us some important implications. Most of the case, the more negative discrepancies between expectation and performance arise, the higher intention of business turnover is. In the analysis of cognitive dissonance mediation effect, the more disagreement between expectation and performance, the higher the intention of business turnover. Satisfaction is lower when the discrepancy between expectation and performance is negative. Negative discrepancies between initial expectation and actual performance led to higher business turnover intentions through cognitive dissonance. On the other hand, if cognitive dissonance is low, it may lower the intention to business turnover. However, entrepreneurs' satisfaction, which has been studied in many entrepreneurial studies, shows no mediating effect in the presence of negative expectations-performance discrepancies.

Concludingly, when the inconsistency between the expectation before and after the start-up was recognized, the cognitive dissonance occurred, and it will stir intention to business turnover. Business turnover of entrepreneur will bring enormous losses not only to the company that has already established a technology base and accumulated business experiences, but also for a state and government who supported many venture start-up projects and strived to enhance national competitiveness. Therefore, it is necessary to reduce the intention to business turnover through resolution of cognitive dissonance for entrepreneurs who just start-up. At the government level, there need to reduce the expectancy disconfirmation through entrepreneurship support projects, also need to reduce

cognitive dissonance of entrepreneurs who have experienced negative discrepancies between expectation and performance. Finally, to develop more concrete research model, we need consider more mediating variables such as work flow job involvement, success belief, assurance, mind set and control.

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