

Institutionalized Choice and Individual Entrepreneurial Behavior

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Motivation

“When I was at Tsinghua, I had very little choice over my coursework and I considered my future career to be pretty much set from when I entered the university. The university told me which courses to take and I simply had to do my best in them. There wasn’t much choice involved. I know that most of my friends, who were studying in the same major as me, also felt that there were courses in other areas we wish we could have taken but could not.”

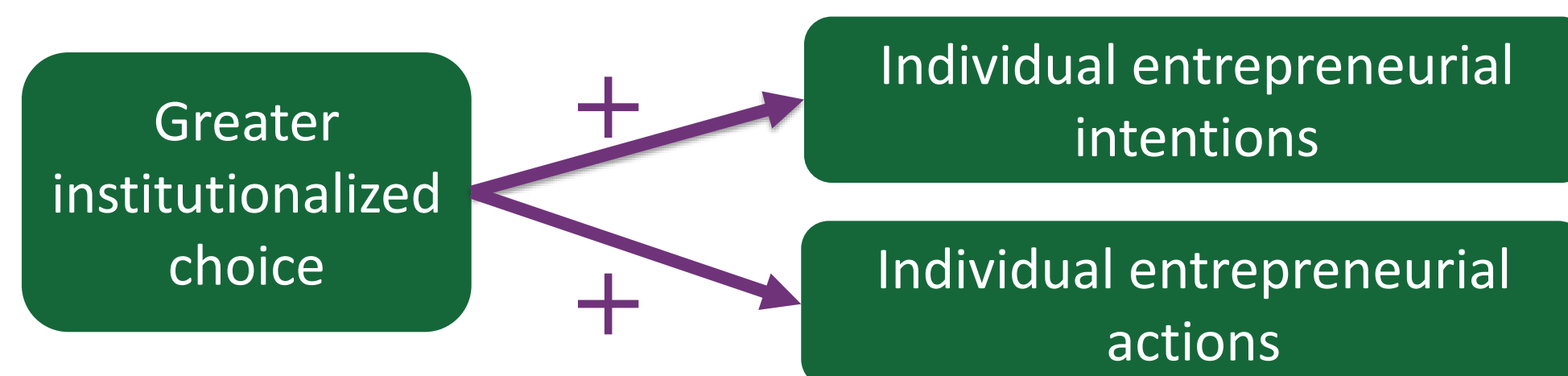
—one alumnus from Tsinghua University

Research Questions

How durable institutions might foster entrepreneurship?
Theorizing: How choice can be institutionalized?

Theory and Hypotheses

- **Institutional Theory** focuses on structural or cultural changes in entrepreneurial opportunities.
- **Entrepreneurship** focuses on how institutions may facilitate individual entrepreneurial choice.



- Students in the middle of the academic achievement distribution will be most influenced by the reform

Methods

- A survey of Tsinghua University alumni between 1930 and 2007.
- A natural experiment in 1984: individuals exposed to the experimental and control conditions are determined outside the control of the investigators



Academic year system

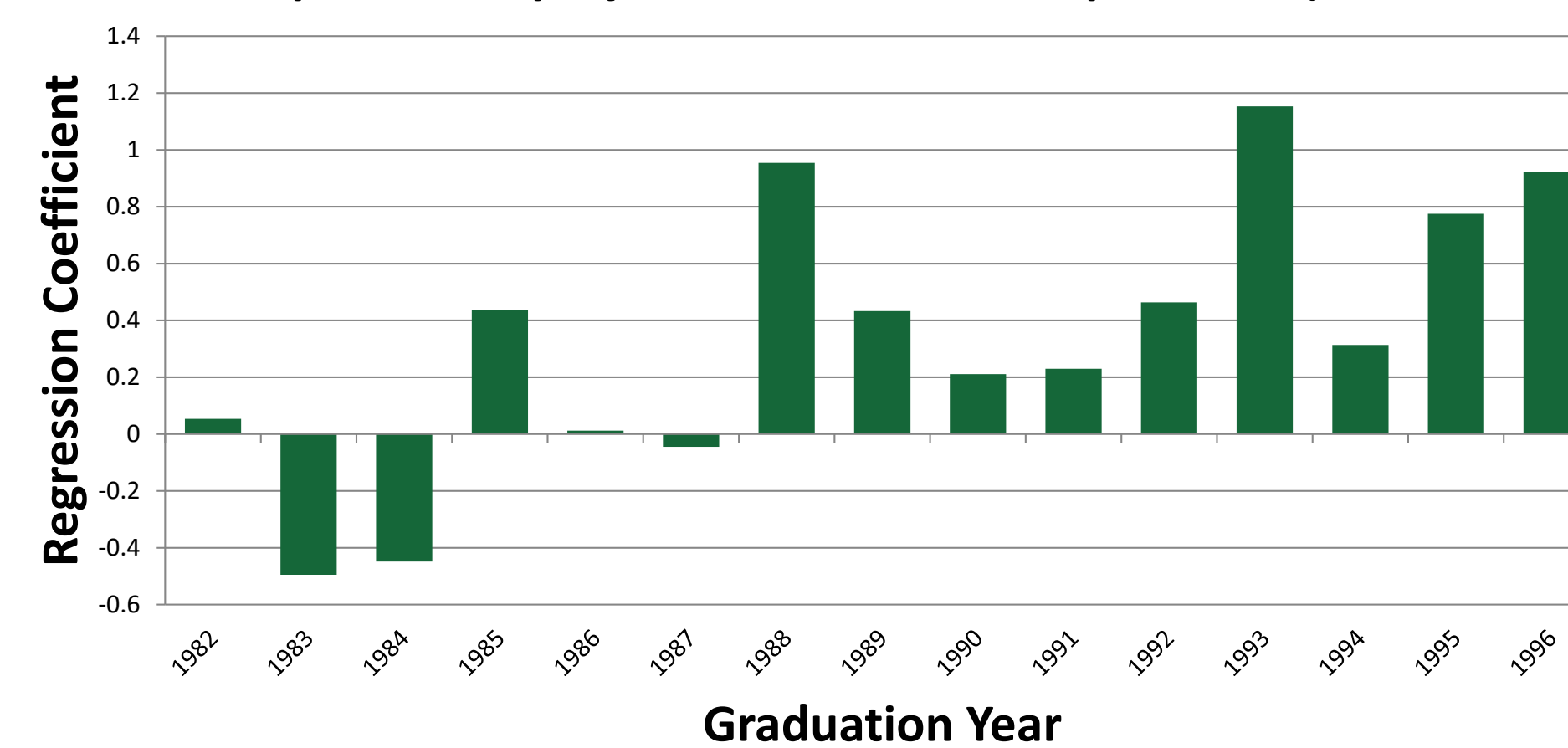
Credit system

reform

current inst. env.

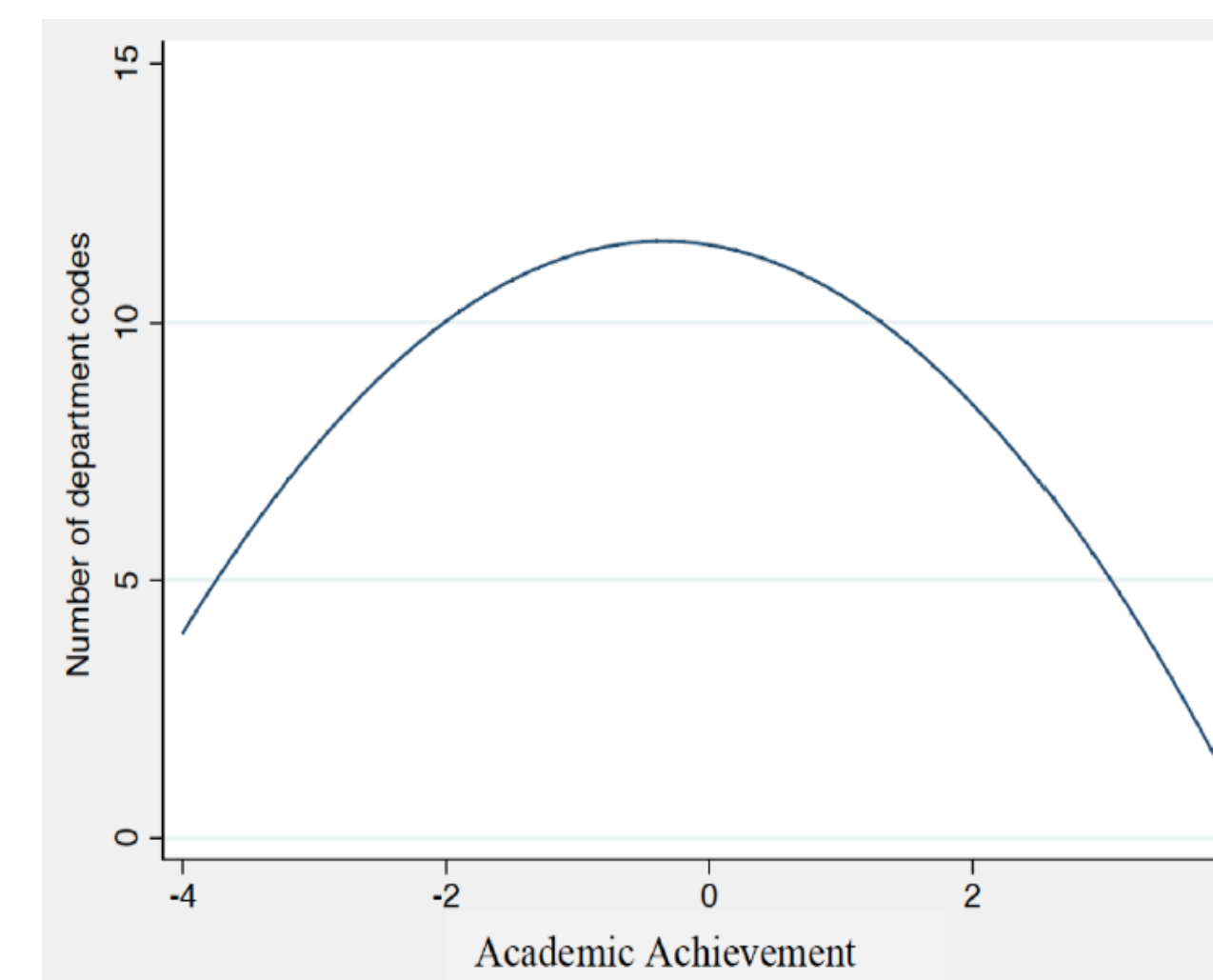
Model and Results

Year-by-year Interaction Terms (showing increased entrepreneurship by lower GPA students post-1988)



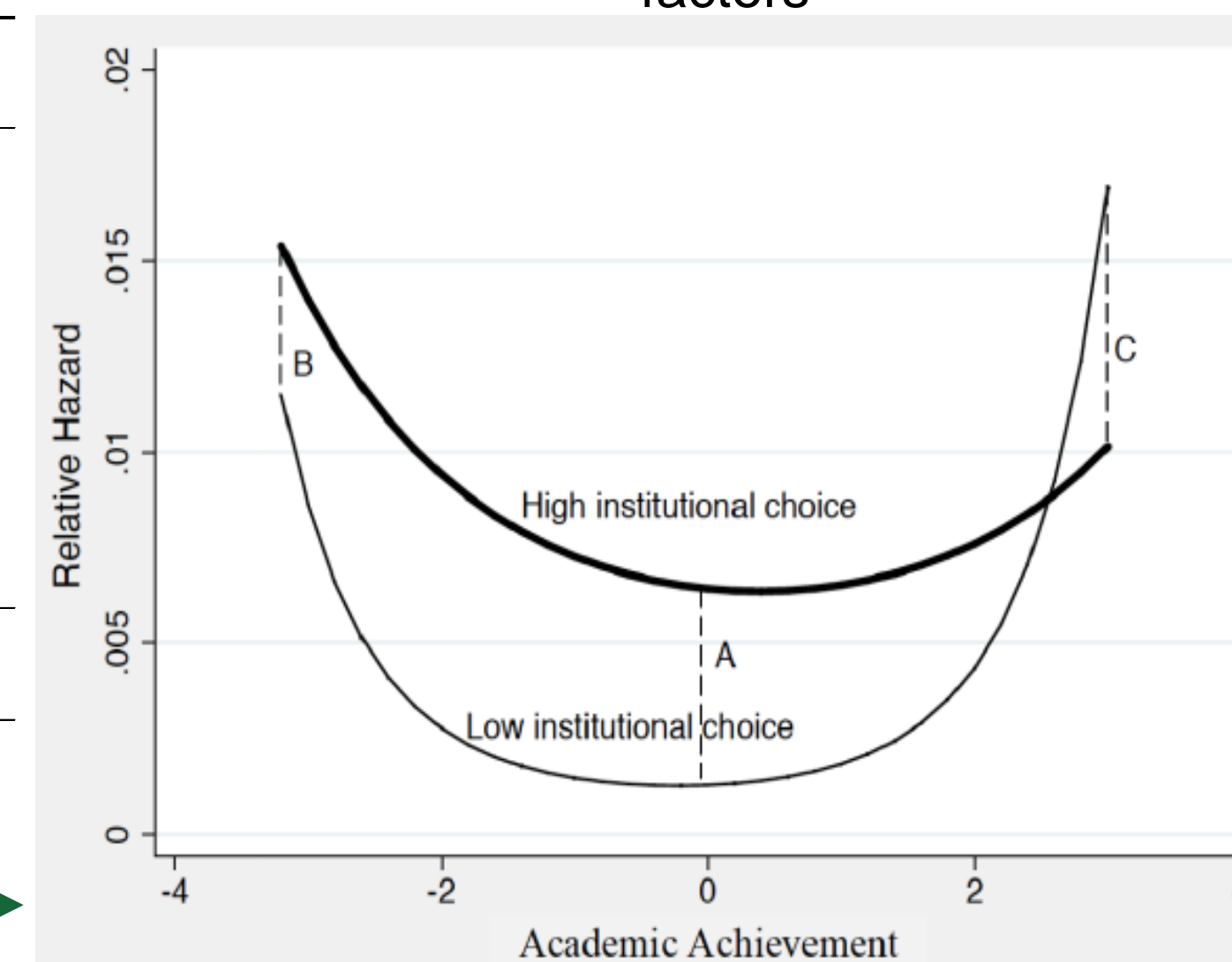
Entrepreneurial activity (Cox regression)	M2	M4
Independent variables		
Institutionalized choice		1.613*** (0.19)
Academic Achievement	0.021 (0.06)	0.112 (0.10)
Academic Achievement squared	0.118*** (0.03)	0.249*** (0.07)
Institutionalized choice × Academic Achievement		-0.166 (0.12)
Institutionalized choice × Acad. Achieve. squared		-0.181** (0.07)
N	340	340
Log likelihood	-1312.704	-1287.173

The Interaction Effect of Institutionalized Choice and Academic Achievement on Entrepreneurial Activity



Effects on the # of Different Department Codes as a Measure of the Variety of Coursework

- **Dependent Variables:** entrepreneurial intention, entrepreneurial activity.
- **Independent Variables:** institutionalized choice, academic achievement, GPA.
- **Control Variables:** demographic factors, education-related factors, family-related factors, work-related experience, macro-environmental factors

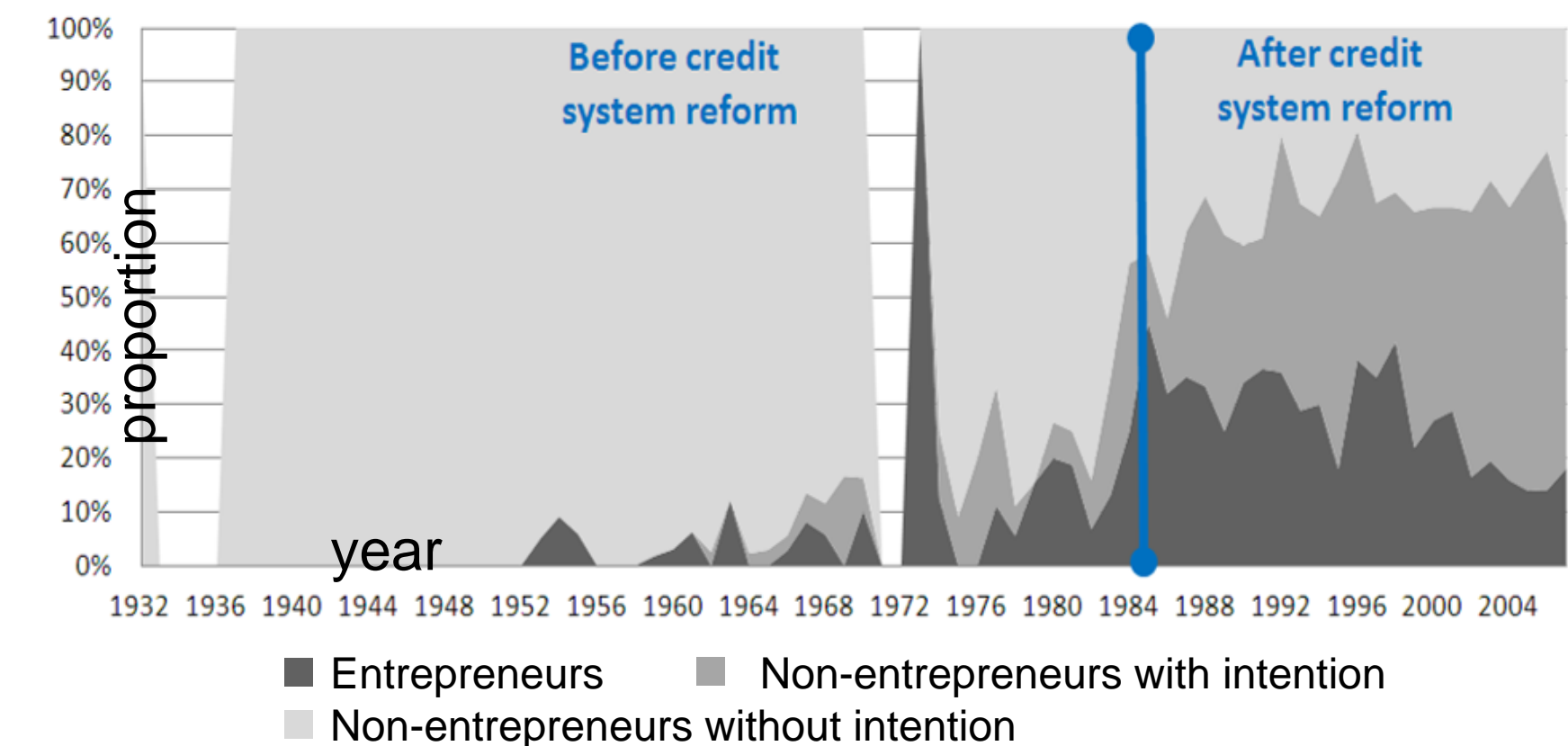


The coefficients for *Academic achievement* are positive and insignificant ($\beta=0.021$, $p>0.10$) and the squared terms are all positive and significant ($\beta=0.118$, $p<0.001$), indicating an upward, U-shaped curve.

Entrepreneurial activity (Cox regression)	M3	M5 (unadjusted GPA)
Independent variables		
Institutionalized choice	1.444*** (0.17)	1.584*** (0.19)
Academic Achievement	-0.025 (0.06)	0.030 (0.03)
Academic Achievement squared	0.098*** (0.03)	0.016** (0.01)
Institutionalized choice × Academic Achievement		-0.033 (0.04)
Institutionalized choice × Acad. Achieve. squared		-0.012* (0.01)
N	340	340
Log likelihood	-1288.499	-1295.244

Robustness

1. Narrowing the sample
2. Proxy variable for macro-entrepreneurial environment
3. Impact of course variety on GPA
4. Potential endogeneity
5. Other reforms concurrent with focal institutional change
6. Differences in older vs. newer industries



Conclusions

- Institutionalized choice fostered greater variation in students’ choices in selecting courses and in turn, generated greater entrepreneurial behavior.
- Institutionalized choice can affect individuals in distinct ways, which encourages individuals with middle levels of academic achievement to choose more diverse courses relative to those with higher or lower levels.

Future Directions

- Consider the role of institutionalized choice within a commercial organization
- Identify the advantages and disadvantages of institutionalized choice.
- Examine institutionalized choice in a variety of other settings.
- Examine the impact of institutionalized choice on specific types of individuals.

Acknowledgments

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