BUSINESS STUDENTS' PERCEPTIONS OF EMPLOYMENT IN SMALL AND MEDIUM-SIZED ENTERPRISES VERSUS MULTINATIONAL CORPORATIONS: INVESTIGATING THE MODERATING EFFECTS OF ACADEMIC MAJOR, GENDER, AND PERSONALITY

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ABSTRACT

Research suggests that students are likely to seek out employment opportunities within large organizations first and often view small businesses as a second choice (Teo & Poon, 1994; Moy & Lee, 2002). The purpose of this paper was to compare U.S. undergraduate business students' perceptions towards employment with small and medium-sized enterprises (SMEs) and multinational corporations (MNCs) and to determine if academic major, gender, or personality influenced these perceptions. The results indicated that accounting, finance, and marketing students preferred employment with MNCs, while the primary employment choice for management students was SMEs. In addition, males preferred employment with SMEs and females favored MNCs. No significant relationships were found between personality dimensions and employment preference. Findings did, however, indicate that several of job factors were significantly related to gender.

INTRODUCTION

Recent research by the Small Business Administration Office of Advocacy shows that more than 99 percent of all current employers are classified as small businesses, and they employ 51 percent of private-sector workers (SBA Office of Advocacy, May 2002). The Small Business Administration defines a small business as one with fewer than 500 employees. However, approximately 90 percent of these businesses employ less than 20 people, and around half have fewer than 5 employees (Perry, 2001).

Even though the number of small businesses operating the U.S. is much greater than that of large corporations, the majority of college students prefer to accept employment with a large firm upon graduation (Hollingsworth, Klatt & Zimmerer, 1974; Teo & Poon, 1994; Moy & Lee, 2002). The ability to attract key personnel is necessary in order to become a successful business of any size. The preference of college graduates to work for a large business over a small business is an obstacle that small businesses must be able to overcome in order to succeed.
While all businesses are faced with critical issues, small businesses are especially susceptible to closure because employees often lack the necessary skills and resources to ensure long term survival (Harris, Grubb & Hebert, 2005). Vesper (1990) suggests that employees in small businesses must possess capabilities in the areas of planning, product development, marketing, personnel management, general management, and finance. Other research has shown that managerial and technical incompetence are two of the most significant challenges facing small businesses (Robinson, 1982; Luke, Ventriss, Reed, & Reed, 1988; Zimmerer & Scarborough, 1998). Luke et al. (1988) argue that a lack of managerial and technical expertise is often the “missing link” that ensures small businesses get their products or service into the marketplace. It is paramount to the success of small businesses that they are able to attract and keep skilled employees to help manage and grow the enterprise.

The purpose of this study was to investigate differences in students’ perceptions of employment in small and medium-sized enterprises (SMEs) versus large multinational corporations (MNCs) based on their academic major, gender, and personality type. Previous research has investigated student perceptions of employment with different sized organizations (Moy & Lee, 2002; Teo & Poon, 1994), but these studies have not investigated students’ perceptions from the United States. This study will help determine what the perceptions of business undergraduates in the United States are towards employment preferences based on ten job factors identified by Teo and Poon (1994). It also explores the differences in perceptions towards small businesses that are held by students in different academic departments by using an undergraduate sample of students majoring in accounting, finance, management and marketing. Finally, the current research uses gender and personality as moderators to investigate the potential for other characteristics to influence students’ perceptions of employment in small and large organizations.

LITERATURE REVIEW

A study conducted by Teo and Poon (1994) investigated the perceptions of undergraduates in Singapore towards SMEs and MNCs. Two hundred seventy students enrolled in the accounting and business programs were surveyed to determine their perceptions of SMEs and MNCs on the basis of ten job factors. MNCs were perceived to be more favorable than SMEs on six of the job factors: pay, fringe benefits, working conditions, long-term career prospects, marketability and job security. SMEs were considered to be more favorable than MNCs on the remaining four job factors: managerial quality and relationships, responsibility given, authority given and involvement in decision making. Overall, employment in MNCs was preferred to employment in SMEs. The findings of Teo and Poon showed that perceptions are slightly different between business and accounting undergraduates. Both groups viewed the differences between SMEs and MNCs similarly, however when assessing the values assigned to the SMEs’ ten job factors individually, business majors viewed SMEs less favorably than accounting majors. Teo and Poon’s research also indicated that male and female students’ perceptions of SMEs and MNCs were similar among the ten job factors. In addition to preferring employment in MNCs, both males and females perceived MNCs more favorably than SMEs in the following six job factors: pay, fringe benefits, working conditions, long-term career prospects, marketability and job security. SMEs were viewed as more favorable in the factors of managerial quality and relationships, responsibility given, authority given, and involvement in decision making.

In a later study, Moy and Lee (2002) also examined the perceptions of undergraduate
students towards SMEs and MNCs. A survey was given to 200 students enrolled in a strategic management class at a university in Hong Kong. The students were asked to rank nine job factors to determine their relative importance in making a career decision. Students were then asked to score SMEs and MNCs on the basis of each job factor. The study found that recent business graduates placed a stronger emphasis on the importance of extrinsic rewards when assessing employment packages offered by MNCs as compared to packages offered by SMEs. Students perceived that SMEs were less favorable than MNCs in five of the factors: pay, fringe benefits, working conditions, long-term career prospects and marketability. SMEs were viewed to be more favorable in terms of managerial relationship and responsibility given. Job security and involvement in decision making were viewed similarly at firms of all sizes. These results were similar to the findings of Teo and Poon.

While these studies reported that students perceive that MNCs offer greater benefits than SMEs, making it more advantageous to begin their careers in a large MNC, they did not investigate potential individual moderators that could be targeted to help understand or explain the students' perceptions. A replication of Teo and Poon's (1994) study will help advance our understanding of American students' perceptions of SMEs and MNCs. In addition, the use of academic major, gender, and personality dimensions may help elucidate and differentiate the perceptions of different types of students and their preferences for future employment. The results in turn can assist organizations, both large and small, in marketing themselves to future graduates.

Teo and Poon (1994) found that most undergraduate accounting and business students do not view employment with a SME as an attractive option after graduation. Their results also showed that male and female students had similar perceptions of the various job factors. Recent business graduates, regardless of gender, often look for extrinsic rewards in their initial jobs and view MNCs as a more attractive alternative because of better pay and fringe benefits (Moy and Lee, 2002). Based on these prior findings, we offer the following hypotheses.

**Hypothesis 1:** Undergraduate accounting, finance, management, and marketing majors will prefer working for MNCs than SMEs.

**Hypothesis 2:** Both male and female students will prefer working for MNCs than SMEs.

In addition to replicating the works of Teo and Poon (1994) with a sample from the U.S., the current study investigated the potential link between dimensions of personality and employment preferences as a means to help explain why students prefer different employment settings. In order to proceed, a brief overview of the Big Five dimensions of personality is warranted.

The five traits, openness to experience, agreeableness, conscientiousness, emotional stability, and extroversion are known as the Big Five dimensions of personality (Goldberg, 1981). Openness to experience refers to the extent that an individual is intellectually curious, creative, and flexible (Watson & Clark, 1997). Agreeableness refers to the degree that individuals are agreeable, friendly, cooperative, and seek satisfying personal relationships (McCrae and Costa, 1991). Conscientiousness can be described as the extent that individuals are dependable, reliable, and organized. Conscientious individuals may be referred to as being orderly, loyal, and persistent. It is also believed to be associated with a harder work ethic that leads to greater rewards such as higher pay and promotions (Organ & Lingl, 1995). Emotional stability, or neuroticism, refers to an individual's level of anxiety and how secure or insecure they are. Emotionally unstable individuals may
demonstrate a lack of ability to adjust to and deal effectively with negative life events (Suls, Green, & Hillis, 1998). Finally, extroversion refers to the degree that individuals are assertive, outgoing, and fond of being in the company of others. Traits that are associated with being extroverted include being talkative and gregarious.

The personality dimension agreeableness has long been associated with friendly, cooperative relationship oriented individuals. According to Teo and Poon (1994) students from Singapore believe that SMEs offer higher managerial relationships. Given the aforementioned information we offer the following hypothesis.

**Hypothesis 3:** Agreeableness will be positively associated with preference for employment in SMEs.

In addition, high levels of openness to experience have been associated with individuals that are creative and intellectually curious. Teo and Poon (1994) noted that individuals in their study reported that employment in SMEs offered greater responsibility, authority and involvement in decision making. Based on the belief that creative and intellectually curious individuals would prefer to work for an organization that allows them to be creative and more involved with decision making, it is hypothesized that high openness to experience people will prefer SMEs.

**Hypothesis 4:** Openness to experience will be positively associated with the preference for employment with SMEs.

Conscientious individuals are perceived to be more loyal and persistent and have a higher work ethic that can lead to greater success, higher pay and promotions. Teo and Poon (1994) noted that students believed there were greater opportunities for pay and long-term career prospects at a MNC. Therefore, we posit that individuals that score high on the dimension of conscientiousness may prefer to work for MNCs that offer greater pay and advancement opportunities.

**Hypothesis 5:** Conscientiousness will be positively associated with the preference for employment with MNCs.

Emotional stability refers to one’s level of anxiety and how secure they are. Less emotionally stable individuals may find it more reassuring to work for a MNC where the perception is that MNCs offer more job security and better working conditions than SMEs.

**Hypothesis 6:** Emotional stability will be positively associated with the preference for employment with MNCs.

Finally, extroversion refers to the degree that individuals are outgoing and assertive. Individuals with high extroversion scores are believed to find work related interaction and relationships rewarding. Although SMEs are perceived to have higher quality managerial relationships, the attractiveness of the SME to an extrovert may be offset by the sheer size and potential for increased interaction at MNCs. Because we believe that extroverts may be equally successful at SMEs and MNCs extroversion may not be a predictor of preference for employment in either SMEs or MNCs.

**Hypothesis 7:** There will be no significant relationship between extroversion and preference for employment in a SME or MNC.

**METHODOLOGY**

The questionnaire from Teo and Poon’s (1994) was used to determine employment preferences and, then, assess what the students believed working for SMEs and MNCs would be like based on 10 job attributes. Questions regarding the employment factors were anchored at 1 (excellent) and 5 (poor). Dimensions of personality were investigated using
Goldberg's Big Five Personality Inventory taken from the International Personality Item Pool website (2001).

Data was collected during the fall and spring semesters of the 2004-2005 academic year from a large southeastern university. A sample of 395 undergraduate business students was used, including 78 (21.0%) accounting students, 111 (24.5%) marketing students, and 91 (24.5%) finance students. The average age of the students was 22.04 and 56.7 percent were male. Caucasian students accounted for 83.5 percent of the sample, followed by African-American (10.1%), Asian and Pacific Islander (1.8%), Hispanic (1.5%), Other (1.3%), and American Indian (.5%).

Descriptive statistics were used to highlight the central tendency and variability within the sample. Binary logistic regression was used to determine if significance exists between employment preferences and personality dimensions. The findings were used to test hypotheses, draw conclusions, and offer avenues for future research.

RESULTS

Frequency counts were used to test the first three hypotheses. Hypothesis 1 concerning the preferences of students with certain majors was not supported. Although the majority of the sample (51.3%) preferred employment with MNCs, because three of the four majors favored MNCs the hypothesis was not fully supported. Accounting (54.0%), marketing (55.8%), and finance (54.4%) majors all preferred future employment with MNCs over SMEs. Contrarily, 65.7 percent of management majors favored employment with SMEs.

Hypothesis 2 examined the role of gender in determining employment preferences. Contrary to hypothesis 2, we found that preferences differed between males and females. The results showed that 56.6 percent of female students preferred employment in MNCs while 54.9 percent of male students preferred employment in SMEs.

No significant relationships were found to support hypotheses three, four, five, and six. Neither agreeableness nor openness to experience was positively associated with preference for employment with SMEs and conscientiousness and emotional stability were not positively associated with an employment preference for MNCs. Hypothesis 7 was, however, supported, as no significant relationship existed between extroversion and preference for employment with either SMEs or MNCs.

Descriptive statistics were used to determine how students, based on academic major and gender, ranked the ten factors identified by Teo and Poon (1994). The five factors perceived most favorably among all students surveyed regarding employment with SMEs included working conditions (WC), managerial quality and relationships (MQR), responsibility given (RG), authority given (AG), and involvement in decision making (IDM). The five factors perceived most favorably regarding employment with MNCs include pay, fringe benefits (FB), long-term career prospects (LTC), marketability (M), and job security (JS).

Table 1 offers a view of the job factors mean values for SMEs and MNCs based on academic major. Interestingly, although management majors had a more favorable view of employment with SMEs, their mean scores for the various job factors were similar to their counterparts in accounting, marketing, and finance (see Table 1). All majors ranked employment with SMEs more favorably in terms of working conditions, managerial quality and relationships, responsibility given, authority given, and involvement with decision making.

When analyzing job factor means by gender, our findings indicated that both male and female undergraduates perceived that SMEs
were preferable to MNCs in the job factors of working conditions, managerial quality of relationships, responsibility given, authority given, and independent decision making (see Table 2). However, females felt that job security was better in MNCs while males perceived that job security was better in SMEs. Using analysis of variance, we found that several of the job factors were significant for males in their perception of employment with SMEs and females in their perceptions of MNCs (see Table 3). The job factors that significantly shaped male students’ perceptions of SMEs included: pay, fringe benefits, working conditions, long-term career prospects, involvement with decision making, marketability, and job security. For females, the following factors were significant in shaping their perceptions of MNCs: fringe benefits, working conditions, managerial quality and relationships, long-term career prospects, responsibility given, authority given, marketability, and job security. In addition, females’ perception of SMEs was significantly affected by pay, fringe benefits, and long-term career prospects.

**DISCUSSION**

The results of this study indicated that accounting, marketing, and finance students preferred future employment with MNCs and management students preferred careers with SMEs. This differs from the findings of Teo and Poon (1994), in that they found that all business students prefer future employment with MNCs. Interestingly, Teo and Poon...
observed that accounting students seemed to perceive employment with SMEs more favorably than other business majors, while our findings indicated that management students have a much stronger desire for future employment with SMEs.

In regards to gender, female students preferred employment in MNCs while male students preferred employment in SMEs. This finding is interesting because much of the recent literature indicates that females are turning to small businesses and self-employment opportunities for career advancement. With the number of women moving into the small business arena, and
the presence of the so-called "glass ceiling" in corporate America, it was somewhat surprising to find that more females preferred employment with MNCs.

A review of the job factors by gender also leads to some interesting findings. The results from our sample indicated that both male and female students viewed working conditions more favorably with SMEs than MNCs, which differs from the conclusions of Teo and Poon (1994) and Moy and Lee (2002). A second contradiction was that males in our study felt SMEs offered more job security, although females still viewed MNCs as having more job security. One other notable difference between males and females was the significance of job factors in shaping their perceptions of employment with SMEs and MNCs. Whereas seven of the job factors were significantly related to the employment perception of males for SMEs, eight factors were significantly related to the female perception of employment with MNCs. Interestingly, pay was a significant factor for both males and females in regard to their perceptions of employment with SMEs, but not for MNCs. Since males preferred employment with SMEs, this may indicate that other factors such as working conditions, managerial quality and relationships, and involvement in decision making were more attractive than immediate financial rewards from their employers. This may also indicate that job security, a significant factor in females' perception of MNCs, plays a more critical role in the employment decision of young female professionals.

Hornsby and Kuratko (2003) suggest that the human resource practices of SMEs have stagnated and declined over the past decade, making it even more difficult to attract talented employees. SMEs must continue to improve in the areas of compensation and fringe benefits, job security, and long term career opportunities if they are to attract competent employees, especially females. As indicated by Moy and Lee (2002), recent business graduates often place an emphasis on extrinsic rewards such as pay and advancement opportunities when making an employment decision. Our findings indicated that females are particularly concerned about these issues and view MNCs as a much more viable option for career development. Though somewhat of a contradiction, female students perceived that SMEs offer better working conditions and more job responsibilities and authority but did not provide them a chance to improve their marketability. When recruiting recent business graduates, SMEs would be wise to emphasize the diverse job responsibilities offered within the organization and how these experiences can help them grow professionally and develop new marketable skills. Without an influx of new talent, many promising SMEs will fail to overcome their technical and managerial challenges and successfully compete against larger competitors in the marketplace.

FUTURE RESEARCH

We believe that three other areas should be addressed in future research. First, we suggest that this study be replicated at other universities with business programs to allow for the comparison of results from different regions in the United States. Next, it would be of interest to incorporate samples of students from other academic disciplines, as well as students at the graduate level, to compare their preferences with that of undergraduate business students. Involving different student groups can only add to our understanding of employment preferences. Finally, additional research should continue to examine the relationship between personality and employment choice to determine if any significant relationships exist.

REFERENCES


