

Theories of entrepreneurship and entrepreneurial motivation

Economic, sociological and psychological

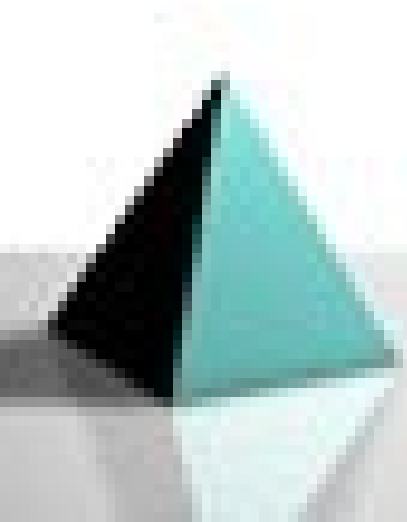
Entrepreneurship Innovation theory

Theory of Achievement Motivation

Motivation theory by McClelland (Acquired Needs theory)

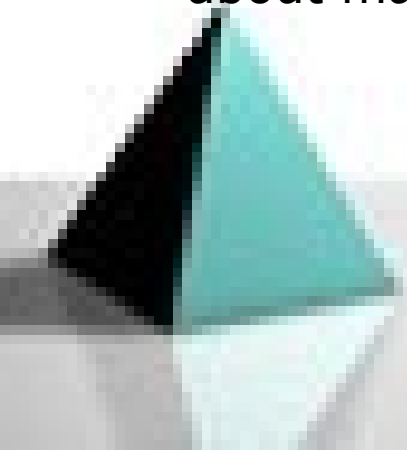
The Kakinada Experiment

Motivating factors for entrepreneur- Internal and external



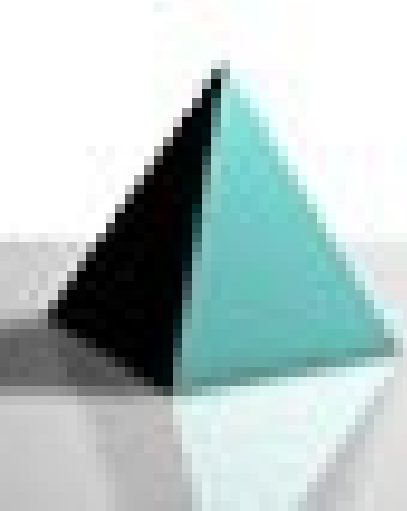
Economic Theory

- Entrepreneurship and economic growth take place when the economic conditions are favourable
- Economic incentives are the main motivators for entrepreneurial activities
- Economic incentives include taxation policy, industrial policy, sources of finance and raw material, infrastructure availability, investment and marketing opportunities, access to information about market conditions, technology etc



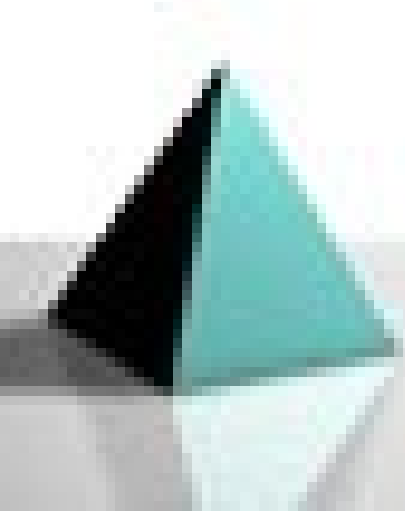
Sociological Theory

- Entrepreneurship is likely to get a boost in a particular social culture
- Society's values, religious beliefs, customs, taboos influence the behaviour of individuals in a society
- The entrepreneur is a role performer according to the role expectations by the society



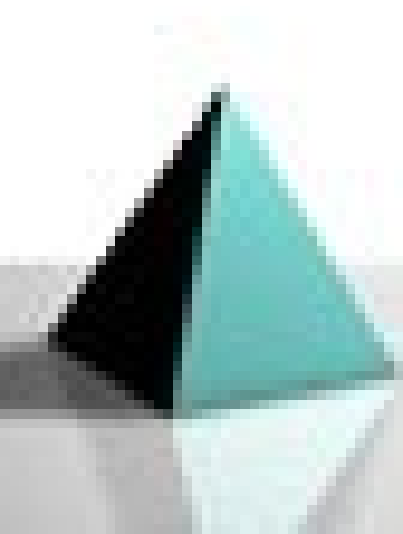
Psychological Theory

- Entrepreneurship gets a boost when society has sufficient supply of individuals with necessary psychological characteristics
- The psychological characteristics include need for high achievement, a vision or foresight, ability to face opposition
- These characteristics are formed during the individual's upbringing which stress on standards of excellence, self reliance and low father dominance

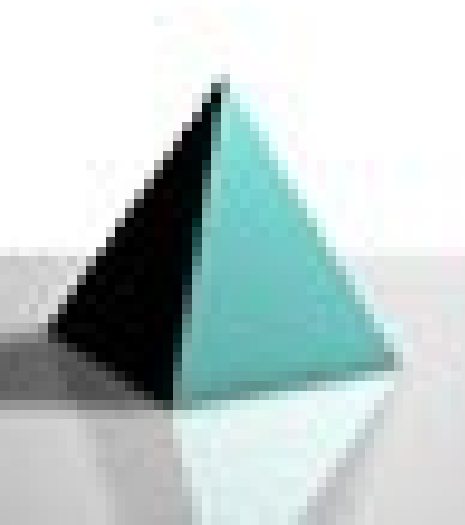


Entrepreneurship Innovation theory

- Theory by Joseph Schumpeter who believes that entrepreneur helps the process of development in an economy
- He says that an entrepreneur is the one who is innovative, creative and has a foresight
- According to him, innovation occurs when the entrepreneur
 - Introduces a new product
 - Introduces a new production method
 - Opens up a new market
 - Finds out a new source of raw material supply
 - Introduces new organisation in any industry

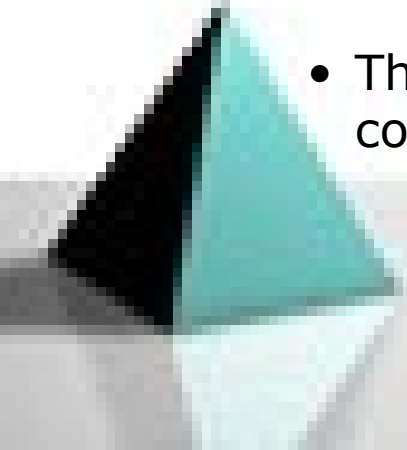


- The theory emphasises on innovation, ignoring the risk taking and organising abilities of an entrepreneur
- Schumpeter's entrepreneur is a large scale businessman, who is rarely found in developing countries, where entrepreneurs are small scale businessmen who need to imitate rather than innovate



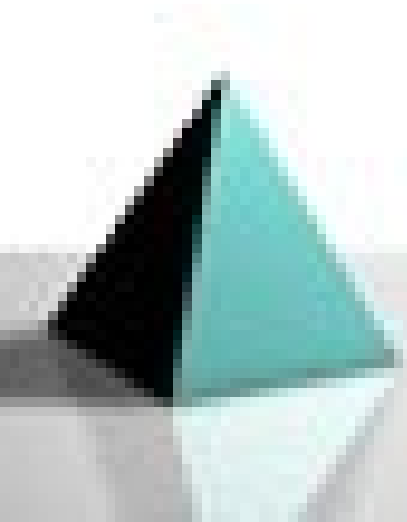
Theory of High Achievement/ Theory of Achievement Motivation

- McClelland identified 2 characteristics of entrepreneurship
 - Doing things in a new and better way
 - Decision making under uncertainty
- He stressed that people with high achievement orientation (need to succeed) were more likely to become entrepreneurs
- Such people are not influenced by money or external incentives
- They consider profit to be a measure of success and competency



Motivation theory by McClelland (Acquired Needs theory)

- According to McClelland, a person has three types of needs at any given time, which are:
 - Need for achievement (get success with one's own efforts)
 - Need for power (to dominate, influence others)
 - Need for affiliation (maintain friendly relations with others)
- The need for achievement is the highest for entrepreneurs



The Kakinada Experiment

- Conducted by McClelland in America, Mexico and Mumbai
- Under this experiment, young adults were selected and put through a three month training programme
- The training aimed at inducing the achievement motivation
- The course contents were
 - Trainees were asked to control their thinking and talk to themselves, positively
 - They imagined themselves in need of challenges and success for which they had to set planned and achievable goals
 - They strived to get concrete and frequent feedback
 - They tried to imitate their role models/those who performed well

- Conclusions of the experiment:
 - Traditional beliefs do not inhibit an entrepreneur
 - Suitable training can provide necessary motivation to an entrepreneur
 - The achievement motivation had a positive impact on the performance of the participants
- It was the Kakinada experiment that made people realise the importance of EDP (Entrepreneurial Development Programme) to induce motivation and competence in young, prospective entrepreneurs

