

Olufolake Moses (1817316)

MBA

Entrepreneurship

Lecturer Ejiro Esowode

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Introduction

Entrepreneurship is the process of doing something new and different with the intention of creating wealth or adding value to society. Kao. R. W.Y. Adding value to society may not be profitable but could be providing an innovative service widely needed by the masses often described as a social entrepreneurship. Motivation is regarded as the inner state that energizes activities and directs or channels behaviour towards the goal. Motivation is the process that arouses action, sustains the activity in progress and that regulates the pattern of activity. Anil Kumar

Entrepreneurs are also seen as individuals who exploit market opportunity through technical and or organizational innovation. Schumpeter (1965). The entrepreneur is the generator of entrepreneurial activity and a number of studies has been done to discover the psychological characteristics and personal traits of an entrepreneur Brockhaus 1982; Gartner 1985; McClelland 1961). The capitalist system encourages entrepreneurial opportunities whereas it is believed that business owners not engaging in innovative activities and should not be counted as such but referred to as small business owner since they are not doing anything different. Parker, 2004. van Praag M. (1999).

Social entrepreneurs are just as innovative as 'for profit' entrepreneurs. Benz.M. The creators of Big Issue magazine had a vision of solving the homelessness crisis by making it possible for homeless people to earn their keep by selling a magazine.

Big Issue Mission: 'To connect Big Issue vendors to the vital support and specialist services that enable them to rebuild their lives and determine their own pathways to a better future'.

They believe rough sleepers can be helped to help themselves. Vendors buy their magazines with their own money and sell them at their own profit or loss. There are other services offered where vendors are linked to vital services in the capital.

The role of an entrepreneur

Entrepreneurial development is seen as important in many countries of the world as it helps to create jobs, increase national productivity whilst alleviating poverty. Birch 1979 2 and improving well-being. The Jacuzzi brothers is a case in point, recognising that monthly hydrotherapy sessions at hospitals eased his son's symptoms led one the brothers to develop a mobile hydrotherapy pump by as a result of their skills, which enabled more treatment for his son at home. This pump was later sold to hospitals and schools and later developed to run with baths. Jacuzzi <https://en.jacuzzi.eu/jacuzzi-world/history>

Startups and young businesses are seen as the engine of job creation although many remain small while others achieve growth and contribute a lot more to the job growth and national productivity. Ryan Decker et al.

Small firms play a great part in the spread of creative innovation which leads to 'within-firm' productivity growth as well as national growth, Ryan Decker et al, aided by the various incentives provided nationally and locally.

Entrepreneurship is becoming a fast growing subject to be studied and becoming an entrepreneur is made easier as a result of digitisation and globalisation, no doubt because of innovation and inventions that it brings. It is believed that entrepreneurs might be possessing special characteristics that enable them to perform better than non entrepreneurs. The growth and power of Entrepreneurship revolution is being equalled to the effect of the Industrial Revolution Yimamu.N

There are 3 approaches to entrepreneurship

Economic theories—Role of the entrepreneur in economic development as an agent of change, an innovator. (J. A Schumpeter); able to spot opportunities (Kirzner); a risk taker (Knight); creative (Shackle), an innovator and organiser of factors of production. This approach does imply that anyone can spot an opportunity and be an entrepreneur and that opportunities can arise from anywhere and at any level.

It is also important to distinguish between an inventor and an innovator as it is sometimes intertwined Schumpeter. An inventor discovers new methods and new materials while an innovator applies inventions and discoveries in order to make new combinations, producing new and better goods which results in satisfaction and profits.

Entrepreneurs are after all agents of change and innovation brings change and leads to economic development. Entrepreneurship is not just about change, it could also involve individuals operating an existing business as its mostly the case in developing countries where entrepreneurship are small scale, more risky due to lack of insurance or social security fall back as in the West, businesses are also smaller in nature.

This theory cannot be universal as there tends to be more entrepreneurs in some countries than others as influenced by many factors. Developing countries will tend to have more entrepreneurs as there are lots of problems to be solved than in developed countries, business also tend to be run on survival mode and not necessarily to make profit as some people think they are making money while just getting by because of lack of financial literacy. Aparna J.

Psychological trait approach –Personality characteristics of the entrepreneur: No evidence has yet been found connecting personality or psychological traits with entrepreneurial disposition although it has been discovered that individuals can have characteristics that lends them to wanting to be entrepreneurs. These include need for achievement, independence, Internal locus of control, resilience, flexibility. Slide 3 Those who have high tolerance for risk benefit more from entrepreneurial training than risk averse individuals. Holleran W

Bolton, Thompson in their study of identifying those people with potential to be successful entrepreneurs identified seven attributes emanating from the three elements of becoming an entrepreneur.

‘the foundation is talent and technique and these combine to make a possible quality, performance driven by temperament’

Personality characteristics: part of the trait theory McClelland (1961) are explained below.

Need for achievement, challenge and Learning- Sense of achievement here is more than making money, can be acquired. Timmons They are self-starters and have a strong desire to compete.

Independence & autonomy – possessing the desire to think and act on one’s own without undue influence from others. Meredith et al (1982) -

Internal locus of control is the believe that success is linked to hard work. Many entrepreneurs, especially at the start of their business spend several hours on ensuring the business takes off. Can be acquired. Timmons They believe their accomplishment is within their control.

Energy and Motivation-ability to work long hours and persevere when others falter. Tolerance of failure.

Resilience - capacity to recover quickly from difficulties, failures and disappointments and the desire to push ahead regardless of setbacks. Innate

Flexibility- able to cope with unplanned eventualities and amend plans accordingly Innate

Willingness to take calculated risks- Taking risks with proper assessment of probability of outcome.

Social behaviour approach Influence of the social environment

There are a number of social factors that can contribute to the entrepreneurship like family background, especially if members of the family are involved in business; nationality, some countries have high incidence of start-ups than others for instance, US and India have high numbers of entrepreneurs; Immigration status has an impact on entrepreneurship as immigrants may have difficulty in integrating into employment (Harper, 1985) or to meet the needs of the wide immigrant community.

E. Hagen postulated the theory of status withdrawal in which he mentioned non acceptance of a migrant in a new society could lead to desire to for start-up. Education can be a contributory factor, educated entrepreneurs tend to establish faster growing firms (Storey, 1994); Unemployment can be a highly contributory factor to starting one's own business. (Storey, 1994). Inability to fit in with conventional corporate culture has been motivation for some to start own businesses identified by (Kets de Vries (1997).

Environment can also be a driver for self- employment and can be actively encouraged by the government (Grilo et al. 2005). Grilo, I. and Thurik, R., 2005, Entrepreneurial Engagement levels in the European Union, International Journal of entrepreneurship education 3 (2), 143-168. The government can introduce scheme which enable the creation of start-ups. The Start-up Loan in UK is a government-backed scheme helping individuals start or grow a

business. In addition to the low-interest loan, successful applicants can access free mentoring from experienced advisers. (Start Up Loan: Gov.uk)

Motivations for Start-Ups

Understanding the reason why people start an enterprise helps the government to come up with schemes that can help the individual entrepreneur. Another way of describing this is 'Necessity versus opportunity' motivation (also called push vs. pull motivation Ute Stephan et. al.

The motivations vary and this has been the subject of many studies. Gilad and Levine (1986) proposed two closely-related explanations of entrepreneurial motivation, the "push" theory and the "pull" theory which was a revamp of necessity and opportunity theories. The 'push' theory explains that individuals are *pushed* into entrepreneurship by external negative forces such as dissatisfaction at work, unemployment, marriage breakup, passed for promotion, low salary, irregular work schedule, government policy regarding immigrants. The 'pull' theory on the other hand explains entrepreneurship in terms of wanting independence, self-fulfilment, wealth or *pulled* by those factors. Individuals become entrepreneurs due to 'pull' factors and 'push' factors.

While these explanations play a part in understanding the reason for starting an enterprise, it is also possible that people can be influenced by reasons from both factors (push & pull) at the same time. An immigrant in the country may find it difficult to integrate into employment in this country though highly qualified from country of origin. Unemployment *pushes* him or her into self-employment. He or she could also be driven to start a business for wealth and independence (*pull*). Ismail Ahmed, a graduate of London Business School, is one such individual, who having worked in UNDP money transfer project, lost his job after a threat to unearth corruption. He was threatened with job loss, took the challenge and later started World Remit, a mobile money transfer business which enabled money transfer through the use of smartphone and app. WorldRemit founder: 'I lost my job to uncover UN fraud' Emma Featherstone. The pull and push factors can be exhibited differently in both genders, differences can exist in entrepreneurial motivation as women tend to have different reasons for starting an enterprise from men. (Brush, 1992; Carter et al., 2003; Havenga, 2009) Brush, C.G. (1992) Research on women business owners: Past trends, a new perspective and future directions.

Men are more likely to be involved in start-ups than women who are more likely to be entrepreneurial for independence, achievement and need to improve family financial status. Women are also less likely involved in male dominated sectors. Women are less likely to take risks as men. Women also tend to have different challenges not open to men like access and acquisition of land (Riha, 2000). This is particularly prevalent in developing countries where land ownership is restricted to men. Men are also more likely to be entrepreneurs than women for many other reasons. Obiageli B.N.I. A lack of work experience could also be limiting women into traditionally female industries as concluded by Watkins and Watkins (1984).

Conclusion

It is clear that many factors affect the desire to become an entrepreneur. People have various reasons for starting a business. The motives can also differ from country to country and gender differences also exist. It is also possible to have all the motivational factors mentioned above and no business started which proves that motivational factors are not the only determinant of starting a business. In a country where there exists all the necessary help to start a business, many still find it difficult to start or the rate of business start-ups in the first year is high.

Becoming an entrepreneur requires more than passion, talent, staying in the business is also important. Absence of the necessary education required can be a reason why businesses do not start or do not progress beyond one year. The reasons for this can include lack of business planning, lack of adequate cash flow, poor management and wrong advertising models. (Investopedia)

It can be argued that entrepreneurial education is lacking in most educational institutions at various levels and this needs to be addressed especially at young ages so that it can be a career option. Bolton

While education is important, some of the well known entrepreneurs of our time like Duncan Bannatyne had no formal qualification or profession but was inspired by Alan Sugar's success as an entrepreneur. Anita Roddick was also quoted as saying she never planned to be an entrepreneur and didn't know the meaning of the word. Bolton. As a social activist, her passion was to save the environment by creating cosmetics from natural products. This made her one of the richest women in UK. It is possible to improve the performance of existing entrepreneurs through imparting proper training and education.

Entrepreneurs are not just for profit and the world has witnessed the rise of social entrepreneur like Anita, mentioned are people passionate about the problems that exist in the world. Though Microsoft, Google are a for profit organisation, its foundation, through philanthropy has been responsible for solving a lot of problems around the world. Bolton

Entrepreneurs may have all the attributes mentioned but not have the enabling environment, people or resource needed in order to make it possible. Mohammed Yunus as was an enabler in India, who made it possible for many poor people to start their own enterprise through the Grameen bank. Technology has enabled globalisation which has created other ways of doing business never thought of in the past. Programmes in Universities and programmes like The Apprentice, Dragon's Den, to name a few have all played their part in enabling an entrepreneurial environment. The environmental triggers probably explain why entrepreneurs who do not possess all the attributes discussed above are still successful without the attributes. Bolton

Companies are also beginning to gain from the rise of entrepreneurial skills and appreciate employing people who can bring these qualities into organisation in order to improve and possibly create new products . Bridge et. al 1998 This gave rise to the term intrapreneurship.

Most entrepreneurs around the world are opportunity motivated (GEM 2017-2018) and it is important that people are taught, shown or exposed to how opportunities can be taken advantage of. The process of innovation is also a skill that needs to be taught. All this should be available at school and post school stages. Social and cultural norms, Government entrepreneurship programs, policies, physical, commercial and legal infrastructure, entrepreneurial finances are all enablers that can enhance and promote the culture of entrepreneurship or hinder it.

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Raymond W.Y. Kao Defining Entrepreneurship: Past, Present and?