



## ENTREPRENEURSHIP

### **R E P O R T - 1**

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## Table of Contents

|                                                                    |    |
|--------------------------------------------------------------------|----|
| Introduction.....                                                  | 3  |
| Understanding entrepreneurship and entrepreneurial behaviour ..... | 3  |
| Entrepreneurial motivation .....                                   | 3  |
| Economic theory of entrepreneurship .....                          | 5  |
| Resource based theory of entrepreneurship .....                    | 6  |
| Sociological theory .....                                          | 6  |
| Opportunity-Based Theory .....                                     | 7  |
| Current perspectives on entrepreneurial motivation .....           | 7  |
| Impact of economic environment on entrepreneurial motivation.....  | 8  |
| Impact of cultural environment on entrepreneurial motivation ..... | 9  |
| Conclusion .....                                                   | 10 |
| References.....                                                    | 11 |

## **Introduction**

Studies on entrepreneurship and entrepreneurial behaviour provide interesting perspectives on entrepreneurial motivation. One could argue that entrepreneurship is rooted in one's behaviour and the expectations of conducting a business independently is what leads to entrepreneurial venture creation (Barringer and Ireland, 2019). However, different theorists argue that it is not that simple. It is true that entrepreneurship is rooted in one's behaviour, but certain external factors also play role in the exposition of entrepreneurial behaviour. The focus of this report is to investigate the current perspectives of entrepreneurial motivation and the influence of culture and economy on entrepreneurial motivation. References have been made from relevant journal articles and business case studies to provide a contemporary perspective on the issue.

## **Understanding entrepreneurship and entrepreneurial behaviour**

According to Casson (2010), "entrepreneurship is the activity of setting up a business or businesses, taking on financial risks in the hope of profit". Another popular definition comes from Kantz (2010), who defined entrepreneurs as self-motivated individuals who take business initiatives and are willing to accept risks in hopes of profit and running a business of their own. Motivation behind entrepreneurship is different compared to other areas of profession. Approach to business risks, pursuit of freedom in career path, pursuit of opportunities, approach to innovation, business mindset etc. set an entrepreneur apart from a non-entrepreneur (Drucker, 2019). Understanding the behavioural aspects of an entrepreneur is crucial to understand the entrepreneurial motives. According to Schumpeter (2003, pp. 247-8), "entrepreneurship is reflected on one's willingness to recognize and then exploit new opportunities". This is where the external factors come into play. An entrepreneur is someone who is able recognize opportunities. But these opportunities do not come out of the blue. To give a basic idea, someone who lives in a closed economy, would not have the access to same level of opportunities as someone who lives within an open economy country (Dew et al., 2015). Therefore, there needs to be opportunities in the economy that one can exploit.

## **Entrepreneurial motivation**

Motivation is a crucial element of entrepreneurial behaviour. Motivation is the cognitive push to do something or accomplish something (Drucker, 2019). Basically, there is no entrepreneurship

without entrepreneurial motivation (Bartha, Gubik and Bereczk, 2019). Yet, some argue that motivation is a complex behavioural element. What motivates one, does not motivate the other the same way. For instance, a visionary entrepreneur is self-motivated by their own vision of starting something significantly impactful (Hisrich, Peters and Shepherd, 2019). On the other hand, a small business entrepreneur's motivation can be simply to pursue greater profits by running a business in which s/he is specialized. This explains the differences in entrepreneurial ventures. Small business entrepreneurial ventures, scalable start-up entrepreneurial ventures, large company entrepreneurship and social entrepreneurship are products of different entrepreneurial motivation (Menke, 2018).

There are different theories of entrepreneurship with different perspectives on entrepreneurial motivation. Studies confirm that environment is a key determiner of entrepreneurial motivation. As stated by Kaushik and Bhatnagar (2009), "individual motives interact with the environment". Other prominent theories such as the social cognitive theory also related the interaction between behavioural factors such as motivation and environmental influences such as economy, culture, political background, legal background etc. Based on these theories, entrepreneurial motivation is the outcome of a positive correlation between entrepreneurial mindset and business opportunities created within the macroeconomy (Menke, 2018).

Now, there is no conclusive list of motivators that can be attributed to all types of entrepreneurs, but different studies have revealed some particular motivators in the internal and external environment that promotes entrepreneurship (Sajjad and Munir, 2017).

For instance, Murnieks, Klotz and Shepherd (2019) work identifies the following list of motivators;



Figure: Internal and external factors of entrepreneurial motivation

### **Economic theory of entrepreneurship**

One of the most traditional theories of entrepreneurship is the economy theory of entrepreneurship. Economic theory of entrepreneurship posits emphasis on the economic conditions to which entrepreneurs are exposed to, and the opportunities that the economy creates for the entrepreneurs to pursue their business endeavours (Sajjad and Munir, 2017). Thus, this theory upholds a crucial concept in the study of entrepreneurship, that entrepreneurial motivation is not just an outcome of entrepreneurial mindset or behaviour, but also an outcome of the economic state (Casson, 2010). Problem with this theory however, is that it does not recognize the open market systems, unique nature of entrepreneurial activity, and other diverse contexts that are associated with entrepreneurial activities (Zacharakis, Corbett and Bygrave, 2019).

G.F. Papanek (1962) and J.R. Harris's (1970) work on entrepreneurial motivation posits that the expectations of economic gains are the driving factors of entrepreneurial activities. An entrepreneur's motivation to undertake an entrepreneurial initiative is developed by the economic gains. Thus, the external economy should be attractive enough to the entrepreneur to engage in entrepreneurship as s/he pursues economic gains (Dew et al., 2015). As a result, favourable economic conditions are directly correlated to economic growth and entrepreneurship development.

## **Resource based theory of entrepreneurship**

The resource-based theory of entrepreneurship focuses on the resource capabilities needed to initiate an entrepreneurial venture (Drucker, 2019). For instance, access to capital improves the chances of an entrepreneurial venture to initiate successfully. Entrepreneurs also require digital resources, manpower, social networks and materials to start their project. Effective entrepreneurship depends on how well an entrepreneur can accumulate, organize, and use these resources to initiate a successful venture (Florida, 2020). Thus, this theory focuses on both internal and external aspects of motivation by putting emphasis on both an entrepreneur's ability to organise and use the needed resources, and the availability of the needed resources within the economy (Hisrich, Peters and Shepherd, 2019). And thus, the interconnection between entrepreneurial motive and economic factors are emphasised in this theory.

## **Sociological theory**

The sociological theory of entrepreneurship focuses on the cultural impacts on entrepreneurial motivation. This theory discusses different social contexts such as culture, social networks, desire for greater living standards, desire for social status, ethnic identities and other socio-political factors that draws entrepreneurial motivation among individuals. According to Murnieks, Klotz and Shepherd (2019), culture plays a crucial role in entrepreneurship motives by creating a social perception of entrepreneurship.

For example, in the USA and in many parts of Europe, entrepreneurship is considered as a prestigious career path. Evidences of some of the successful entrepreneurs show that they left college or universities to pursue career in entrepreneurial venture creation. This adds to a cultural perception of entrepreneurship in these countries (Sajjad and Munir, 2017). On the other hand, evidences from South Asian descent families living in the UK show that they have less interest on entrepreneurial venture creation because they are culturally inclined towards professional service jobs or high paying jobs such as engineering, health care profession, lawyer, etc (Zacharakis, Corbett and Bygrave, 2019). Entrepreneurship is viewed as a less favoured career path among them, which affects entrepreneurial motivation among them in a negative way (Sajjad and Munir, 2017).

## Opportunity-Based Theory

The very basic definition of an entrepreneur is that they are individuals who pursue opportunities and are willing to accept risks in doing so. This pursuit of opportunities also describes the perspectives of motivation (Zacharakis, Corbett and Bygrave, 2019). Peter Drucker explained the opportunity-based theory of entrepreneurship in his work, stating that “entrepreneurs excel at seeing and taking advantage of possibilities created by social, technological and cultural changes”. For example, as Brexit deal is complete, some local businesses might follow the post-brexit economic changes as an opportunity to operate in a less competitive industry after most of the EU based companies have closed their operations in that sector (Menke, 2018). Similarly, industries that are dependent on materials imported from EU countries, or generate revenues from the EU based countries, the entrepreneurship in those sectors will deal with a loss of opportunity at the post Brexit economy in the UK. Similarly, social changes will also push certain motivations. The current social changes in the UK, that have been led by the increased immigration, can be targeted by an entrepreneur who have experience in certain industries (Kantis, 2015). This assessment of opportunities leads to the development of entrepreneurial motivation.

## Current perspectives on entrepreneurial motivation

An entrepreneurs’ motivation to engage in entrepreneurship reflects on economic theory, resource-based theory and opportunity-based theory (Dew et al., 2015). Economic growth and economic situation, the availability and exploitability of resources, and the existing opportunities to pursue entrepreneurship are the elements that drive entrepreneurial journey (Menke, 2018). However, economists argue that there are lot more to acknowledge in the study of entrepreneurial motivation in the modern context. What makes it important because the economic conditions and the nature of economic variables have changed over the years (Dew et al., 2015). Thus, the ways an entrepreneur pursues opportunities, and the way they are able to utilize the resources to initiate an entrepreneurial venture are different today compared to the past.

Most researchers agree that political, economic and cultural factors influence entrepreneurial motivation to this day. A further investigation should be need to understand how the

opportunities affect the relation between entrepreneurial motivation and the stated environmental factors.

### **Impact of economic environment on entrepreneurial motivation**

Steve Jobs, Mark Zuckerberg and Bill Gates were all globally acclaimed entrepreneurs in their times. They were motivated by some obvious gaps in the tech marketplace. The economy in which they started their ventures, there was minimum competitions at that time. But they basically started with very minimum resources (Dew et al., 2015). Their strong entrepreneurial intent and the years of hard work led them to become some of the most successful entrepreneurs in the world's history. Now it would be debatable to say that entrepreneurs nowadays would be able to proceed with the same approach or not (Blank, 2020). Studies indicate that investments on scalable start-ups have reduced over the years, whereas the investments on small business entrepreneurial ventures and large company entrepreneurial ventures have increased over the years (Florida, 2020).

For example, in the 1970s, when the researchers at Xerox had developed Alto, which is known as the first personal computer, it had cost them around US\$10,000 to invent this device. But when Steve Jobs and Wozniak had come up with the idea of Apple computer, it only cost them US\$3000 to design and develop. It is because, the resources needed to develop became cheaper, whereas, the customers who would pay 10000 dollars for a computer were not many (Menke, 2018). Economists state that the Apple's financial value and opportunity was greater compared to Xerox's opportunity in the market and the value they would offer. Researchers explain this phenomenon saying that Steve Job and Steve Wozniak had greater relevant motives to pursue entrepreneurial opportunities compared to the researchers at Xerox (Blank, 2020). This played crucial role to their motivation.

Case studies of the emerging economies show that the liberalisation of trade and deregulations had major impact on the growth of entrepreneurial ventures in those countries (Menke, 2018). China for example, was a very closed economy before. The communist economy had heavily discouraged investments. China opened its economy to global trade and commerce in the 1980s. Before that, there is no significant evidence of successful entrepreneurial venture creation in China (Murnieks, Klotz and Shepherd, 2019). However, after the economy was opened, the business investments flourished. One of the most successful entrepreneurs, Jack Ma founded

Alibaba in 1999 pursuing the opportunities of global trade between China and the international market place. Yet, Alibaba wouldn't have been possible if the economy were kept closed by the Chinese government. Because the trade restrictions, excessive regulations, higher business costs and low profit incentives would have diminished entrepreneurial motive in the first place (OECD, 2020).

In the past, the competitions were low at any marketplace (OECD, 2020). Thus, there was a balance in the rate of entrepreneurial venture creation in different industry categories. Aggregate studies show that the opportunities to which entrepreneurs respond to in different economic conditions are not equal. The average value in the creation of new business in retail sector is much lower compared to the average value of creating a new business in information technology or biotechnology or entertainment industry (Murnieks, Klotz and Shepherd, 2019). Because the intense competition lowers the profit incentives, and the opportunities to innovate and differentiate. Because entrepreneurial motivation is widely distributed across different sectors at the aggregate levels, statistically significant differences are observed in the mean value of new business creations in different sectors or categories of industry (OECD, 2020). This suggests that the value of opportunities drive entrepreneurial motivation differently in the modern industries. However, other researchers argued that they don't find any evidence to claim that entrepreneurs cannot pursue opportunities in the industries with lower opportunities. But rather, the opportunities in certain sector or industries would be deemed less attractive to an average individual. They claim that opportunities that entrepreneurs pursue are different to each other in terms of economic value (Murnieks, Klotz and Shepherd, 2019). Thus, it is not the economic value that motivates entrepreneurs, but rather it is the opportunity to create economic value in a seemingly new area that motivates the entrepreneurs (Sajjad and Munir, 2017). This school of authors posit the behavioural theory of entrepreneurship in the modern economic context.

### **Impact of cultural environment on entrepreneurial motivation**

The impact of culture on entrepreneurial intent is somewhat critical. Unlike economy, the impacts of culture cannot be easily measured. Studies indicate that the impact of culture on entrepreneurial venture creation is significant. According to Murnieks, Klotz and Shepherd (2019), cultural background dictates the perceived desirability of entrepreneurship among individuals. The study by Kantis (2015), suggests that one's willingness to pursue opportunities may

get disrupted or promoted by cultural factors. This study made references from the application of Hofstede's cultural dimensions. Comparing the dimensions of culture in different countries reveal that individual mindset in the USA or in the UK is not the same as the individual mindsets observed in Latin American countries. As a result, entrepreneurial motivation is more evident among individuals and professionals working at different sectors in the USA or in the UK compared to individuals working in different occupation or profession in Latin America. The study also shows similarity in the case of South African countries (Florida, 2020). Prioritizing job security over taking on risky business ventures, attitude towards leaders and leadership etc. were evaluated in this study and the findings suggest significant lack of entrepreneurial drive in these cultures.

But another study suggests that the national culture has no significant impact on entrepreneurship because what sets the entrepreneurs apart is their unique mindset (Menke, 2018). Their intention to stand out in the crowd is what motivates them to be entrepreneurs. Therefore, national culture has less likely impact on entrepreneurs (Dew et al., 2015). This study opposes the findings of the application of Hofstede's cultural dimensions to determine entrepreneurial intent suggesting that the general cultural dimensions have nothing to do with entrepreneurial motive because motivation of an entrepreneur to create a business is itself a unique phenomenon (Menke, 2018). However, in the context of large company entrepreneurs, the organisational culture plays major role in the entrepreneurial behaviour within the organisation. This study mainly focuses on corporate entrepreneurship, also referred to as intrapreneurship. The organisational culture determines the innovation and creativity, and their application in business (Dew et al., 2015). Cultures that restrict participation and free thinking prevents entrepreneurial motivation in the organisation.

Thus, the role of culture on entrepreneurial motivation is less significant in the literature of entrepreneurship.

## **Conclusion**

The discussions on the different theories of entrepreneurship in current perspective suggests that economic variables have significant impact on entrepreneurial motivation because the success or failure and the pursuit of opportunities are dependent on the economic conditions. However,

there are conflicting accounts on the impact of culture on entrepreneurial motivation. It is suggested that more focus should be put on creating a more positive economy to promote entrepreneurship.

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