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Entrepreneurship – SBMA7111

Assignment 1

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1. Introduction

While the entrepreneur is defined as a person who takes an initiative by taking into account the deficiencies in its environment and the essential resources, entrepreneurship is expressed as a the management of processes that do with value creation and a group of actions that bring together resources to explain opportunities, monitor and turn them into figures for achievement (Morris and Davis, 1994).

Entrepreneurship as a essential vitality of social, cultural and economic growth in the world, is a very significant instrument in terms of opening new business areas, providing employment and producing wealth (Acs and Audretsch, 2003). Entrepreneurship plays a major role in the growth of a country's economy and therefore in the development of that country. Local and international growth is directly proportional to the development and growth of entrepreneurship system (Hart, 2003).

Entrepreneurial motivation consists of features such as risk-taking tendency, need for success, locus of control, tolerance to uncertainty and self-efficacy. In the following sections of the report, motivational factors of entrepreneurs will be examined and the effects of economic, cultural and technological environment on the entrepreneurial motivation will be assessed.

2. Current perspectives of entrepreneurial motivation

The distinguishing aspect of entrepreneurs from other individuals is the entrepreneurial motivation factors they have. The factors that motivate the entrepreneurs are considered to be one of the variables that affects an individual's actions and success (Collins, Hanges and Locke, 2004).

According to Suzuki (2002), individual and environmental variables, management skills, market conditions and policy support have a direct impact on the entrepreneurial motivation.

Herron and Robinson (1993) argue that entrepreneurial motivation can be influenced by factors such as skills, experience, education and personality.

Koh (1996) identified these factors as innovativeness, tolerance to uncertainty, self-confidence, need for success, control focus, and risk taking.

All these studies show that entrepreneurial motivation occurs as a result of the influence of individual factors and environmental factors.

Current perspectives of entrepreneurial motivation will be explained by using 5 motivational factors in the following.

2.1.Risk-Taking Tendency

Although many definitions of entrepreneurship have been made, all of these definitions refer to the link between entrepreneurship and risk-taking tendency. The tendency to take risks is a concept that changes from individual to individual.

Taking a risk is a decision without knowing how it will happen, where, or under what conditions (Wakkee, Elfring and Monaghan, 2010). Nobody knows what to bring in the future. This lack of information is called uncertainty. If the likelihood of different possibilities is known, uncertainty turns into risk. Some economists describe the most basic function of the entrepreneurs is to take risks that other people do not (Wickham, 2010). According to this viewpoint, entrepreneurs are successful in managing the risky situations. That is, entrepreneurs will continue to communicate effectively in situations where uncertainty is high and will be able to make successful decisions.

An entrepreneur is the person who does not work for the other person and takes commercial risk (Brockhaus, 1980). The tendency to take risks can vary according to many variables. Characteristics such as age, gender, experience, family structure, history, socioeconomic status, influence the tendency to take risks.

Furthermore, entrepreneurs are constantly introducing new products, production processes, markets, methods and new organizational structures. Achieving these innovations requires significant risks. For this reason, risk-taking tendency is seen as one of the important characteristics of entrepreneurs which motivates them (Mohanty, 2005).

2.2.Need for Success

It has been shown in various studies that there is a meaningful relationship between the need of success and the performance of the entrepreneur, and that this motivation is an important factor determining the performance of a new enterprise. (Collins, Hanges and Locke, 2004).

For example, Steve Jobs explained his basic motivation in a talk in 2015 titled “How to Live Before You Die.” Jobs mentioned “Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do.” (medium.com, 2017).

People whose level of need for success is high are more likely than people whose need for success level is low to involve in actions or responsibilities that have a high level of personal responsibility for results, need personal ability and determination, have a low-level risk, and contain net feedback on performance. This view is supported by McClelland (1961).

Meta-analysis of need for success and entrepreneurship was examined by Collins, Locke and Hanges (2000). According to the results of the research, there is a very striking relation between the need for achievement and establishing a company.

The level of need for success is an important indicator for distinguishing between entrepreneurs and the general population. Moreover, the level of achievement can be an effective way of distinguishing between the founders of successful and unsuccessful firms. Due to the reasons stated above, the need for achievement is a significant factor in explaining entrepreneurial activities.

2.3.Locus of Control

Locus of control is expressed as a variable that reflects how the individual perceives the results of the movements he has made (Zhao and Chen, 2008). According to Rotter (1966), who first introduced the concept, to identify events with variables such as chance and faith means external locus of control and if people identify events with as a result of their own choices, it is called internal locus of control. People with an internal locus of control would be possible to

search for entrepreneurial opportunities because this kind of people want to see the impact of their own actions on the results.

In short, internal locus of control offers to entrepreneurs to be independent on decision making process and to set their own priorities.

2.4.Tolerance for Uncertainty

Tolerance for Uncertainty relates to the stress level of the people in uncertain situations. A person with a high tolerance to uncertainty can maintain self-confidence in decision making process despite the uncertainty of the environment, without seeking further information. Uncertainty tolerance gives individuals opportunities for creativity and innovation (Teoh and Foo, 1997). One of the key features of the entrepreneurs is tolerance to uncertainty. Researches have shown that; entrepreneurs are more tolerant to uncertain situations than non-entrepreneurs and small business owners. (Koh, 1996).

2.5.Self-efficacy

Self-efficacy refers to the belief that entrepreneurs have the ability to provide the necessary accountability when they start a new venture (Bowman, 1999). Entrepreneurs with high self-efficacy can successfully pass on challenging tasks with limited resources and limited capital in a limited time. Thus, entrepreneurs must believe in their own abilities in order to achieve success. Self-efficacy that motivates the entrepreneur has a big affect on performance. Entrepreneurs face numerous difficulties and uncertainties in their business life, so their efficacy supports their ability to cope with this kind of difficult situations. This ability helps entrepreneurs succeed by establishing their business in line with their goals.

A research was conducted by Baum (1994) in order to evaluate the effect of self-efficacy on entrepreneurial motivation. In this research, entrepreneurs operating in architectural field were evaluated in terms of several variables such as general behaviours and motivations, strategic action, specific skills and competencies. As a result of the research, it was found that there is a strong direct relationship between the entrepreneur's level of self-efficacy and the growth of

the company. In fact, self-efficacy was the best predictor out of all variables used in the research.

3. External Environment Effects on Entrepreneurial Motivation

Whilst a lot of researches has tried to explain the current perspectives of entrepreneurial motivation by analysing the individual characteristics of the entrepreneurs, it is also important to examine the external environment in order to be able to understand entrepreneurial motivation. The effects of economic, cultural and technological environments on entrepreneurial motivation will be examined in the following section of the report.

3.1. Effects of Economic Environment on the Entrepreneurial Motivation

Economic environment has a big impact on the entrepreneurial motivation. First, Personal income taxes, capital gains taxes and the increase in payroll taxes cause the entrepreneurs to earn less. As tax rates continue to rise, entrepreneurs' capital will decrease. Therefore, entrepreneurs can invest less in their jobs and produce fewer jobs. On the contrary, if the tax rates are reduced, more people prefer to do their own business and the number of ventures in the market increases.

Another economic factor that affects entrepreneurial motivation in a market is the regulation made on subjects such as entry costs. Researches show that in the OECD countries where the start-up costs are high, fewer people choose to be entrepreneur (Fonseca, 2001).

The number of entrepreneurship is high in the markets where the rights of creditors are protected. The level of execution of law and financial development of the country have also positive effect on the entrepreneurial motivation (Gompers, 2004).

The rate of high unemployment has two-way effect on entrepreneurial motivation. The high unemployment rate has a negative impact on entrepreneurial motivation for declining purchasing power, but at the same time it can also cause unemployed people to decide to establish their own jobs.

3.2.Effects of Cultural Environment on the Entrepreneurial Motivation

Culture is a system that has a direct impact on people's behaviour and personality. Group behaviours that can be expressed as the sum of behaviours of the members are shaped by the culture that the group has. The personalities of the members in this process are also considerably effective. But what really matters is the cultural identity that the group has. Behaviours are formed according to this identity and begin to direct personality over time (Caglar, 2001).

Personality structures of entrepreneurs who act on the basis of a subculture formed by the parameters they receive from the collective culture will also be affected. The elements that will be active or passive in the personality structures of entrepreneurs will be formed by effects of the culture.

The idea of starting a new business depends on the motivation that comes from the culture of the community, subcultures, family, friends and other immediate environment factors. A culture that values its members' success by establishing a new business will prepare an environment for the establishment of more businesses than the cultures that do not give importance to the individual success. If the factors such as individuality, success, and money making are valuable in a culture, it means that entrepreneurship is highly supported by the community. The number of new enterprises is high in this kind of cultures. Nevertheless, it is not possible to see lots of examples of successful entrepreneurship in the cultures that do not support the establishment of new businesses and failures are regarded as a great loss of reputation. (Hisrich and Peters, 2002).

3.3.Effects of Technological Environment on the Entrepreneurial Motivation

The rapid changes in the technology is one of the main factors that determine the direction of the new business ideas. Until the 1990s, manufacturing jobs in major economies such as the United States and Great Britain have declined (forbes.com, 2017). But, technology entrepreneurship has become the new trend in the markets.

Technology companies such as Google, Facebook and Apple have gained a lot of power over the world with their products and services.

Any such business model should certainly take into account that the rapid advances in relation to digital revaluation will have a direct impact on business.

Both customer centric and employee centric visions must form the core values of the business whilst also integrating digital solutions in order to reach optimum operational and strategical results.

4. Conclusion

The number of entrepreneurs in a country is one of the most important development indicators of the local economy. Supporting entrepreneurship by the internal and external factors is an important issue because it has a significant impact on the development of the nations.

The role of the risk-taking tendency, need for success, locus of control, tolerance to uncertainty and self-efficacy motivational factors which are also characteristic of entrepreneurs, is also important in order to increase entrepreneurial motivation.

However, entrepreneurial motivation cannot be explained by only these factors, because entrepreneurial motivation is influenced and changed by the factors of external environment. Especially the economic, cultural and technological external factors play a major role in the entrepreneurship decision making process. The indicators such as the level of economic development of a country, the economic regulations of the government, the cultural structure of the community, the culture of the family and the changes in the consumer expectations due to technological developments are the key subjects in order to establish and sustain a successful business.

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