

Subject: Management

Production of Courseware

-Content for Post Graduate Courses



Paper 09: Entrepreneurship Development & Project Management

Module 10: Entrepreneurial Traits and Types. The Motivating Factors & Theories



Principal Investigator

Prof. S P Bansal
Vice Chancellor
Maharaja Agrasen University, Baddi

Co-Principal Investigator

Prof Yoginder Verma
Pro-Vice Chancellor
Central University of Himachal Pradesh, Kangra, H.P.

Paper Coordinator

Dr. Vishal Kumar
School of Management,
Maharaja Agrasen University, Baddi

Content Writer

Ms. Shivani Mahajan
School of Management,
Maharaja Agrasen University, Baddi

Items	Description of Module
Subject Name	Management
Paper Name	Entrepreneurship & Project Management
Module Title	Entrepreneurial Traits and Types. The Motivating Factors & Theories
Module Id	Module no 10
Pre- Requisites	Basic knowledge of what Entrepreneurship is.
Objectives	To study the entrepreneurial traits and the motivating factors
Keywords	Entrepreneur, Traits, Factors, Motivation, Theories

QUADRANT-I

Module 1: Entrepreneurial Traits and Types. The Motivating Factors & Theories
1. Learning Outcome
2. Introduction
3. Concept of an Entrepreneur
4. Traits of an Entrepreneur
5. Types of Entrepreneur
6. Entrepreneurial Motivation
7. Motivation theories of Entrepreneurship
8. Summary

1. Learning Outcome

After completing this module students will be able to:

- i. Understand the concept of an Entrepreneur.
- ii. Understand the Entrepreneurial Traits.
- iii. Know the Factors of Motivation.
- iv. Understands the theories of motivation of entrepreneurship.

Entrepreneurial Traits and Types, the Motivating Factors & Theories

2. Introduction

India is full of entrepreneurs. We have large number of successful entrepreneurs in the country like Ratan Tata, Aditya Birla, Azim premji, N.R Narayan Murthy, Rahul Bajaj and many more. They have taken the opportunities and generated employment opportunities in the country. Therefore, entrepreneurs are important for the economic growth of the country.

3. Concept of an Entrepreneur

The term entrepreneur is derived from the French word “‘entreprenre” i.e. to undertake. This word has been used since ages but its meaning is changing over time. In Early 16th century entrepreneurs was the term used for the persons engaged in the military journey. Later on in 17th century, it was expanded for the persons engaged in engineering activities such as construction etc. In the beginning of the 18th century, Entrepreneur refers to the persons engaged in the economic activities. Therefore, ‘entrepreneur’ has changed over the time from the person engaged in military expeditions to the economic activities.

Entrepreneur literally means the person who innovate the new things to earn profits as a reward by organizing the factors of productions and bearing the risk.

Richard Cantillon was the first who proposed the term ‘entrepreneur’. According to him, “An entrepreneur is an agent who buys factors of production at certain prices in order to combine them into a product with a view to selling it at uncertain prices in future.” According to Joseph Schumpeter, “Entrepreneur is an individual who carries out new combines of means of production by which there occurs disequilibrium.”

As there are many views regarding entrepreneur, therefore entrepreneur is classified as risk bearer, innovator and organizer.

- **Entrepreneur as Risk Bearer:**

Richard Cantillon proposed about the unique feature of risk bearing as an entrepreneur. He states that entrepreneur bears the risk by buying the factor of production at a certain prices and produces the product to sell them at the uncertain prices in future. Knight also proposed that entrepreneur is a person who bears the non-insurable risk. Non-insurable risk is uncertain and cannot be calculated. He further stated that entrepreneur takes the responsibility of the uncertainty which is not insured.

- **Entrepreneur as an Innovator:**

Joseph A. Schumpeter in 1934 defined the entrepreneur as an Innovator. He believed that entrepreneur brings the economic development in the country with the help of the innovation. According to him, entrepreneur is an innovator as he introduces a new product, introduces a new

method of production, and carries a new form of organisation. However, he felt that these attribute would not be sufficient to explain the entrepreneurship.

- **Entrepreneur as an Organiser:**

Jean Baptiste Say developed the concept of entrepreneur as an organizer. He defined the role of entrepreneur as a coordinator, organiser and supervisor. According to him, Entrepreneur organizes the factors of production by taking the land from one, labour from other and capital from yet another.

4. Characteristics/ Traits of an Entrepreneur:

If we go through history, we come across different successful entrepreneurs in India like Ratan Tata, Aditya Birla, Azim Premji, N.R. Narayan Murthy, Rahul Bajaj and many more. We will find certain similarities between them these similarities can be called as traits of an entrepreneur. Following are the characteristics of an entrepreneur:

- **Hard work:** Entrepreneurs work very hard to succeed. Most of entrepreneurs work hard in the beginning and thus same becomes their habit for the lifetime because they believe that hard work is the key to success.
- **Visionary:** Entrepreneur is visionary and has foresight to know the future. He has the ability to visualize the likely change in taste and preferences of the customer, technology advancements etc in the future.
- **Decision making ability:** Entrepreneurs have good decision making skills and are able to take the decisions promptly and accurately.
- **Innovative:** Entrepreneur is the source of the economic development in the country so he should be innovative to bring the change in the country. He produces the goods and services according to the changing needs of the customers.
- **Desire for high-achievement:** Entrepreneur has a desire for high goals therefore, takes the business to the new heights.
- **Optimistic:** Entrepreneurs are optimistic and have a positive approach towards things. They do not get troubled by the present problems and believe that things will become better in the future.
- **Good Organiser;** Entrepreneur organizes the various factors of production on their own and thus brings together all the required resources for starting an enterprise.
- **Patient:** Entrepreneurs are highly patient and do not get affected by the temporary failure and continue to work hard. Entrepreneurs try again and again to achieve the success.

- **Communication Skills:** entrepreneurs are good communicator and with their good communication skills they are able to convince others with their ideas.
- **Team spirit:** An entrepreneur has the ability to build successful teams and thus working in teams. He/she is good at building and managing successful teams
- **Emotional balance:** There are many ups and downs in the business but entrepreneur has to be emotionally stable. They do not get carried away by the huge profits and disappointed by the huge losses. They remain quiet and calm at every situation.

5. Types of Entrepreneur

Entrepreneurs can be classified into different types as follows:

a. Based on the use of Technology:

1. Technical entrepreneurs
2. Non-Technical entrepreneurs

1. Technical Entrepreneurs: The entrepreneurs' who establish technology based industries are called as Technical entrepreneurs. For e.g. IT industries

2. Non-Technical Entrepreneurs: The entrepreneurs who do not use science and technology into their businesses are called as non-technical entrepreneurs.

b. Based on the type of Business

1. Trading Entrepreneur
2. Manufacturing Entrepreneur
3. Agriculture Entrepreneur

1. Trading Entrepreneur: The entrepreneurs who carry out the trading activities are called as trading entrepreneurs. They arrange the finished goods from the manufacturers and sell them to the customers or the retailers. E.g.: wholesaler, middleman etc.

2. Manufacturing Entrepreneurs: The entrepreneurs who identify the needs of the customers and accordingly manufacture the products are called as manufacturing entrepreneurs. They are the one who converts the raw material into the finished goods.

3. Agricultural Entrepreneurs: The entrepreneurs who take up the activities related to the agriculture are called agricultural entrepreneurs. E.g.: cultivation, marketing of agricultural products etc.

c. Based on Ownership

1. Private entrepreneur
2. State entrepreneur
3. Joint entrepreneur

1. Private Entrepreneur: When an enterprise is owned by an individual, he/she is called as private entrepreneur. He bears the whole risk and is the sole owner of the business.

2. State entrepreneur: When an enterprise is owned by the State or the Government, it is called as the state entrepreneur.

3. Joint entrepreneur: When an enterprise is jointly run by the Government and the private individual, it is called as Joint entrepreneur.

d. Based on Size of the enterprise.

1. Small-Scale Entrepreneur
2. Medium-Scale Entrepreneur
3. Large-Scale Entrepreneur

1. Small-Scale Entrepreneur: An Entrepreneur who has invested up to one crore rupees for the plant and machinery is called as Small-Scale Entrepreneurs.

2. Medium-Scale Entrepreneur: An Entrepreneur who has invested above one crore rupees and below five crore rupees for the plant and machinery of the business is called as Medium-Scale Entrepreneurs.

3. Large-Scale Entrepreneur: An Entrepreneur who has invested above five crore rupees for the plant and machinery of the business is called as Large-Scale entrepreneurs.

e. Based on the Gender

1. Male Entrepreneurs
2. Female Entrepreneurs

1. Male Entrepreneurs: When enterprise are established and controlled by male, these are called as Male entrepreneurs.

2. Female Entrepreneurs: When enterprise are established and controlled by female, these are called as Female Entrepreneurs.

f. Based on the Clarence Danhof Classification

According to Danhof, entrepreneurs are less innovative and initiating in the beginning but become highly innovative and responsible over time. Based on this, Danhof has classified the entrepreneurs into four types:

1. Innovating Entrepreneurs
2. Imitative Entrepreneurs
3. Fabian Entrepreneur
4. Drone Entrepreneurs

1. Innovating Entrepreneur: The entrepreneurs who innovates new product, new market, new process etc are called as Innovating Entrepreneurs. These entrepreneurs exist only when the country is developed and people are looking forward to the innovations.

2. Imitative Entrepreneurs: These are the entrepreneurs who accept the innovations and imitate them. They do not innovate themselves but reproduce the innovations already done. Such entrepreneurs can work only in the under developed economy by bringing the innovations from the developed economies.

3. Fabian Entrepreneurs: Such Entrepreneurs are very cautious and handle things with care. They imitate the changes when only they get sure that implementing changes would give them profits for sure and not to adapt changes will lead to loss.

4. Drone Entrepreneurs: Such entrepreneurs are not ready to accept changes. They generally refuse to accept the innovations and want to continue with their existing business processes because of which they generally incur losses.

g. Based on different Behaviourial Scientists:

1. Solo Operators
2. Active Partners
3. Inventors
4. Challengers
5. Buyers
6. Life-Timers

1. Solo Operators: These are the entrepreneurs who work alone and if needed, hire few employees. Mostly every entrepreneur starts their enterprise as solo entrepreneur.

2. Active Partners: These are the entrepreneurs who jointly start an enterprise and work actively for the business. Entrepreneurs who only provide funds for the business and do not actively participate in the operations are just called as ‘partners’.

3. Inventors: These are the entrepreneurs whose basic interest is in the research and development. They are the one who are creative and bring new innovations.

4. Challengers: These are the entrepreneurs who are ready to accept the challenges and get into the business because of the challenges it presents.

5. Buyers: They are the entrepreneurs who are afraid of risks and do not want to bear much risk. Therefore, they prefer to buy an ongoing firm rather than starting a new one.

6. Life-Timers: These entrepreneurs want to continue their enterprise for the life time. Generally people who have hereditary enterprises are called as life- timers.

6. Entrepreneurial Motivation

The word motivation has come from the Latin word ‘mover’ which means ‘to motive’ and is derived from the English word ‘motive’. It means the inner state of our mind that direct or stimulate us to achieve our goals. Motives are not necessarily in born but are the result of our interactions with the society. So, they give directions to our behavior to achieve the desired goals.

Therefore, Entrepreneurial motivation can be defined as the process that directs or stimulates our behavior to achieve the entrepreneurial goals. In other words, entrepreneurial motivation activates the inner state of an entrepreneur to put higher level of efforts for the achievement of the desired entrepreneurial objectives.

6.1 Motivating Factors for Entrepreneurs

Entrepreneurial motivation is important because as long as the entrepreneur is not motivated he/she cannot achieve their goals. There are certain factors which motivate the entrepreneurs while some do not. It is a matter of concern to find out which factors motivate the employees. Different researchers have conducted several studies to identify such factors. Following are the summed up factors of motivation for the entrepreneurs:

1. Education background: The knowledge acquired through the various courses provided by the institutions has motivated entrepreneurs to step into the business. Entrepreneurs feel confident while entering into the business of their education fields.

2. Family Background: The family businesses motivate the entrepreneurs to join businesses. In India, different entrepreneurs have continued their fore father’s business. For e.g.: Mukesh Ambani, Ratan Tata, Aditya Birla etc.

3. Desire to do something new: People have urge to do something new and creative. The strong desire to be innovative and creative promotes entrepreneurship among the population.

4. Business experience: Large experience in a particular field makes the people aware of that field. Therefore, Entrepreneur feel motivated to enter into the fields in which they have the rich experience.

5. Government assistance and support: Government provide support to the entrepreneurs in different ways such as providing loans at low interest rates, tax concessions, leasing scheme, Export assistance etc. Assistance from the end of the Government motivates people to become entrepreneurs.

6. Encouragement from big business houses: The success stories of the large businesses motivate the people to become entrepreneur. Moreover, the large businessman encourages the people to become entrepreneurs.

7. Easy availability of raw material and labour: Easy availability of the raw material and labour at cheap rates motivates the people to become entrepreneurs as it makes the business little easy.

8. Profit margins: Many people become entrepreneurs for earning more money. So, earning money is one of the most motivating factors.

9. Promising demand of the product or service: There is an increasing demand for some goods and services. Therefore, entrepreneurs find their paths in establishing business for such products and services.

10. Job Security: Over-population and Unemployment is the one of most challenging problem in India. As the population is growing there is more and more risk of unemployment. Moreover, people don't feel secure with their jobs because of the availability of large number of skilled population. Therefore, People prefer to become entrepreneurs.

11. Social prestige: In India, entrepreneurs are seen with respect. So, people get motivated to become entrepreneurs to gain social respect.

7. Motivation theories for Entrepreneurship

Entrepreneurship has large risk associated with it but still prefer to become entrepreneur because of the several motivating factors. There are thinkers who have explained what motivates an individual to go for entrepreneurship through different theories. Maslow's need hierarchy and McClelland achievement motivation theory are most relevant to understand the entrepreneurial behavior of an individual.

a. Maslow Need Hierarchy theory:

Maslow has given the need hierarchy theory of motivation. According to him, humans have five types of needs from lower to higher order. Following are the needs:

1. Physiological needs:

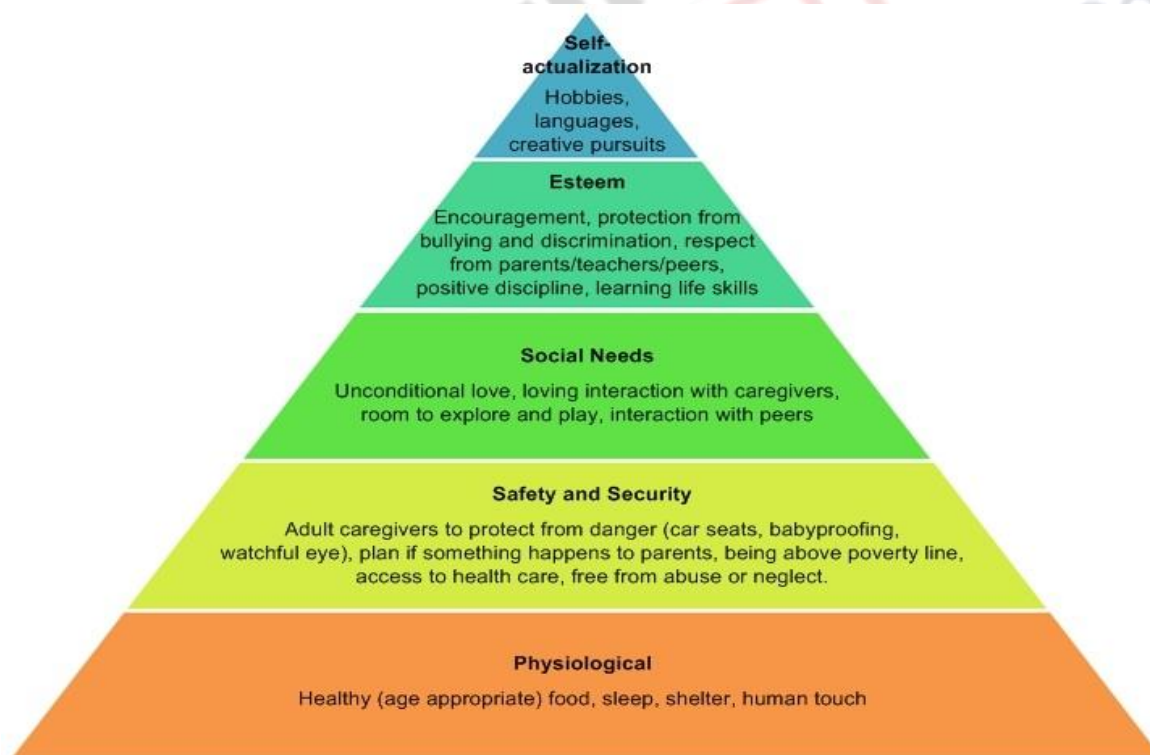
These are the most basic needs and the lowest in the hierarchy. These needs are of basic shelter, food and cloths. Human beings work hard to fulfill their basic needs. Entrepreneurs also have this basic need which motivates them to set up their own enterprise.

2. Safety and Security needs:

The second in the hierarchy is the safety and security needs and will emerge once the physiological needs are met and once these needs are met they become inactive. These needs include the free from the threats, secure atmosphere, financial security etc. to fulfill these needs, one need to have enough money. Entrepreneur works hard to meet his/her security needs.

3. Social needs:

After security needs are met, social needs are arises. Human being likes to be recognized and accepted by others. People like to interact with others so to get affiliated to others. Therefore, entrepreneurs interact with the other entrepreneurs, employees and others.



(source:<http://s3.media.squarespace.com/production/1892222/19210459/wpcontent/uploads/2010/01/c-hild-hierarchy-of-needs.jpg>)

4. Self esteem needs: These needs include self-confidence, accomplishment, skills, knowledge, and freedom. In case of entrepreneurs, the ownership and self- control over business satisfies their esteem needs by giving them respect, reputation, freedom and status.

5. Self-actualization

This is the highest level of the Maslow hierarchy. Self actualization needs are self aware, self conscious and more concerned with the personal growth. This need is concerned with identifying what actually the potential is and actualizing the realization of the potential.

According to Maslow, if the lowest need in the hierarchy is satisfied then only next need will arise. Humans never get satisfied so as long as one need is satisfies, immediately second need arises. Social needs, Self esteem and self-actualization needs motivate the entrepreneur more to work hard.

b. McClelland Need for Achievement theory:

The most important motivation theory for entrepreneurs is McClelland need for achievement theory. McClelland focused on three needs: Need for power (npow), need for affiliation (naff), need for achievement (nach).

- **Need for Power (n Pow)**

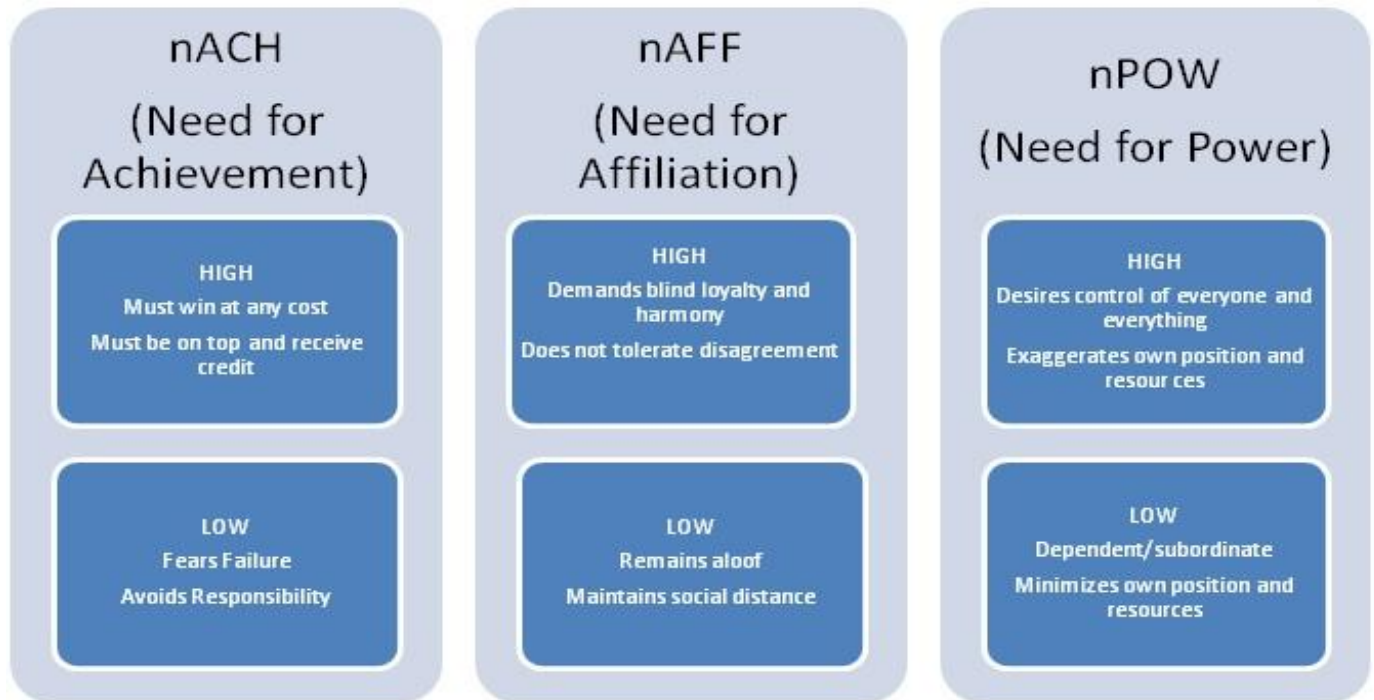
The need for power is related to influence others, have control over others, and push to change people. The people with high need for power want to direct others. They want people to be dependent on them which results in supreme satisfaction to the individuals.

- **Need for Affiliation (n Aff)**

The need for affiliation is concerned with desire to build healthy and friendly relations with the other people. They have the strong desire to get accepted and affiliated by others. When people recognize the individuals they get motivated.

- **Need for Achievement (n Ach)**

The need for achievement is the desire to excel, to achieve the set goals with excellence. These needs direct the behavior of the individuals to perform better. People with high achievement needs show better performance than the individuals with the low achievement needs. They personally take the responsibility of achieving the set goals. They accept challenges and generally set difficult goals than low achievers.



(Source: <https://wikispaces.psu.edu/display/PSYCH484/2.+Need+Theories>)

According to the McClelland, all the three needs can exist simultaneously but people with the high achievement needs are more likely to be entrepreneurs.

8. Summary

Entrepreneurs are important for the economic development of the country. There are certain characteristics which are common to the entrepreneurs. Moreover, entrepreneurs cannot always remain motivated. There are several factors which motivates the entrepreneurs. Different Psychologists have worked to find the factors which can motivate the entrepreneurs. On the basis of that, they have propounded different theories of motivation for the entrepreneurs.