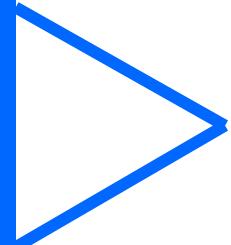


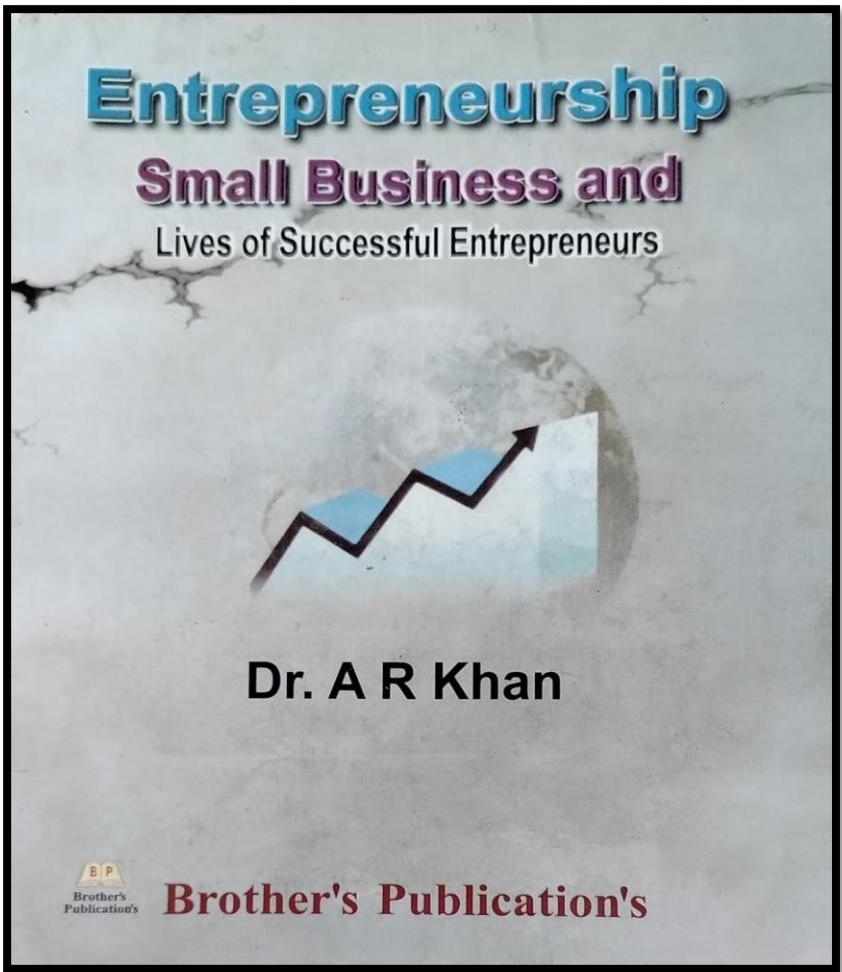
Lesson 06



Chapter No. 03

Theories & Models of Entrepreneurship

Reference Books



Dr. A R Khan (Chapter 02, Page 31) + Others

Agenda

I. Theories

- * *McClelland's* Achievement Motivation (**AR Khan**. 31 Page + **Others**)
- * Impact of Work Motivation Theories of *Maslow's, McGregor, and Herzberg* (**39 Page**)
- * *Schumpeter's* Views on Entrepreneurship (**AR Khan**, 35 Page + **Others**)
- * *Everett Hagen's* Theory of Social Change (**AR Khan**, 38 Page)

2. Models

- ◆ *A Proposed Model of Entrepreneurial Motivation*
- ◆ *Others*

Question No. 01

McClelland's Achievement

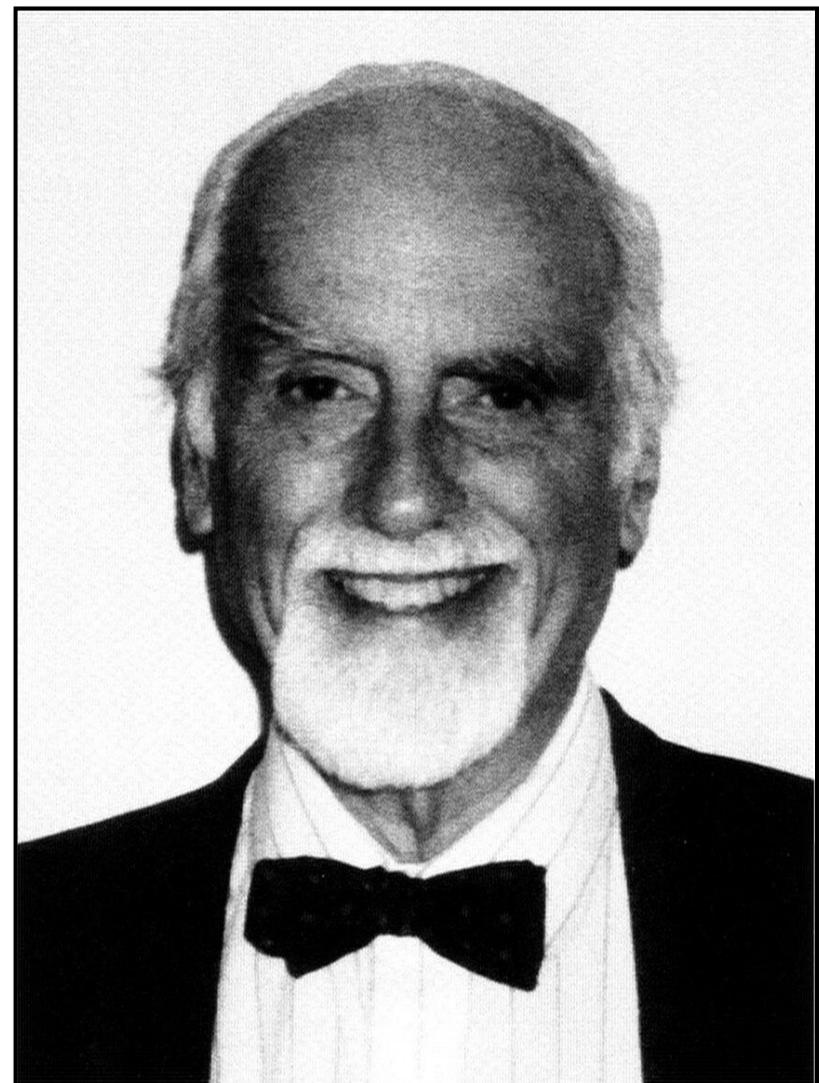
Motivation

(AR Khan. 31 Page +

Others)

McClelland's Achievement Motivation

- ◆ David C. McClelland, a prominent psychologist affiliated with Harvard University
- ◆ Made notable contributions revolving around the **identification and exploration** of **three** fundamental human needs.



David McClelland

McClelland's Achievement Motivation



Need for
Achievement

n Ach



Need for
Affiliation



Need for
Power

n Power

Continued to.....

Need for Achievement

..... the desire to **accomplish a goal or task** more effectively **than in the past.**

Need for Affiliation

..... the desire for **human companionship and acceptance.**

Need for Power

..... the desire **to be influential** in a group and **to control one's environment.**

McClelland's Achievement Motivation

McClelland observed **several key characteristics** commonly associated with **achievement seekers**:

- 1. Calculated Risk-Taking:** Those with a high need for achievement exhibit a propensity for taking well-considered risks and setting moderate, attainable goals. This defies the common misconception that high achievers engage in reckless behavior.
- 2. Desire for Feedback:** Individuals with a strong achievement orientation actively seek immediate and specific feedback on their performance. They consider feedback as a valuable tool for gauging progress and gaining insights into their performance.
- 3. Intrinsic Satisfaction:** Achievement-oriented individuals find profound satisfaction in accomplishing tasks and projects. Their motivation stems from a genuine enjoyment of the process itself and the sense of personal fulfilment it brings.
- 4. Dedication and Problem-Solving:** Taking personal responsibility and adopting a proactive approach to problem-solving. However, this level of dedication can sometimes pose challenges in interpersonal relationships.

Needs for Achievement with Other Motives of Motivation

Need for Achievement [n Ach]

- ❖ Doing better than competitors
- ❖ Attaining or surpassing a difficult goal
- ❖ Solving a complex problem
- ❖ Carrying out a challenging assignment successfully
- ❖ Developing a better way to do something

Need for Power [n Pow],

- ❖ Influencing people to change their attitude or behavior
- ❖ Controlling people and activities
- ❖ Being in a position of authority over others
- ❖ Gaining control over information and resources
- ❖ Defeating and opponent or enemy

Need for Affiliation [n Aff].

- ❖ Being liked by many people
- ❖ Being accepted as part of a group or team
- ❖ Working with people who are friendly and cooperative
- ❖ Maintaining harmonious relationships and avoiding conflicts
- ❖ Participating in pleasant social activities

Need for Security [n Sec]

- ❖ Having a secure job
- ❖ Being protected against loss of income or economic disaster
- ❖ Having protection against illness and disability
- ❖ Being protected against physical harm or hazardous conditions.
- ❖ Avoiding tasks or decisions with a risk of failure and blame

Need for Status [n Sta]

- ❖ Having the right car and wearing the right clothes
- ❖ Working for the right company in the right job.
- ❖ Having a degree from the right university.
- ❖ Living in the right neighborhood and belonging to the country club.
- ❖ Having executive privileges

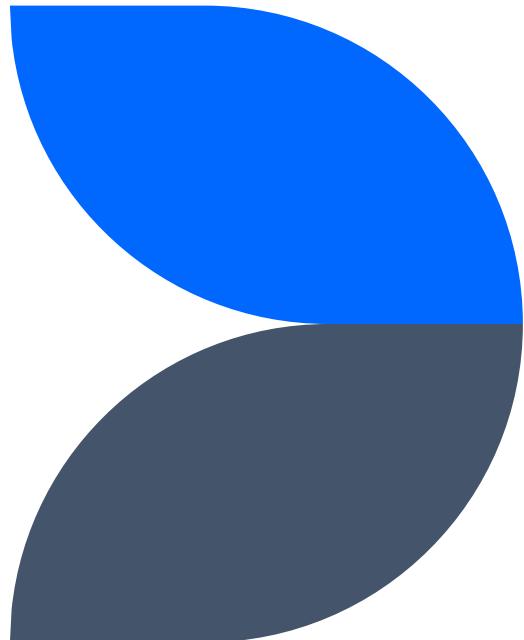
Home Work

The Criticisms Or Limitations of
McClelland's Need Theory

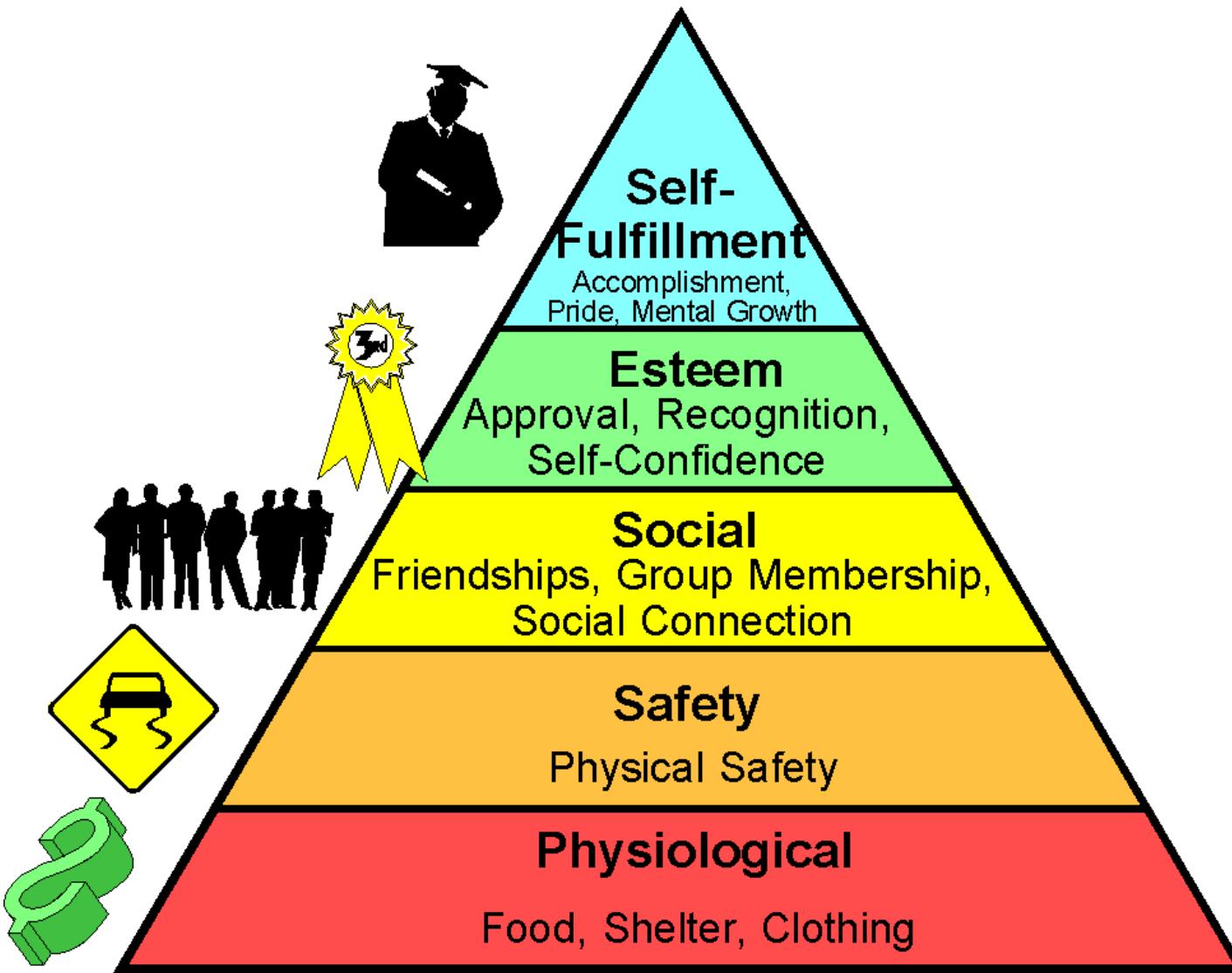


Question No. 02

Impact of Work Motivation Theories of
Maslow's, McGregor, and Herzberg
(39 Page)



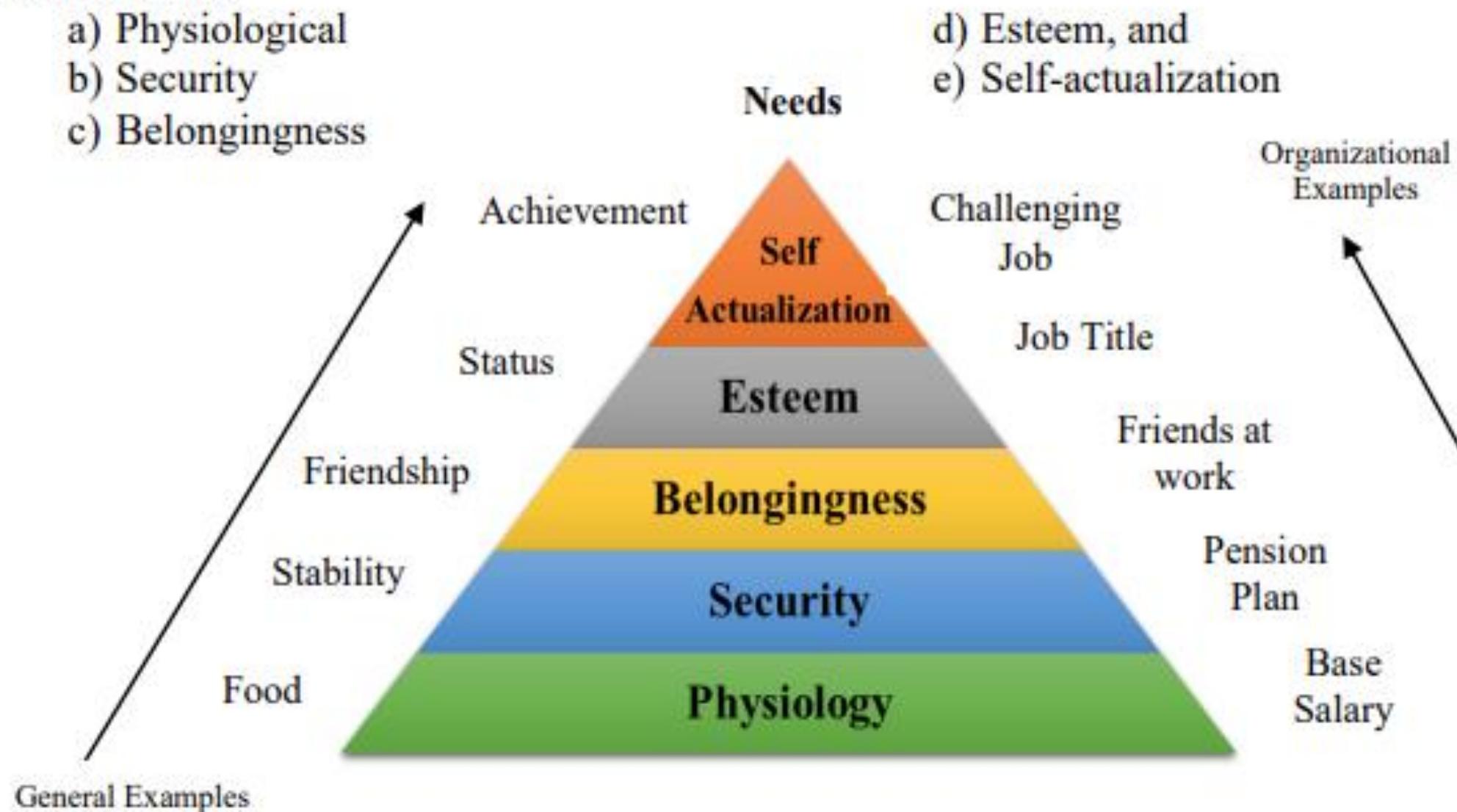
Maslow's Need Hierarchy Theory of Motivation



Abraham Maslow'

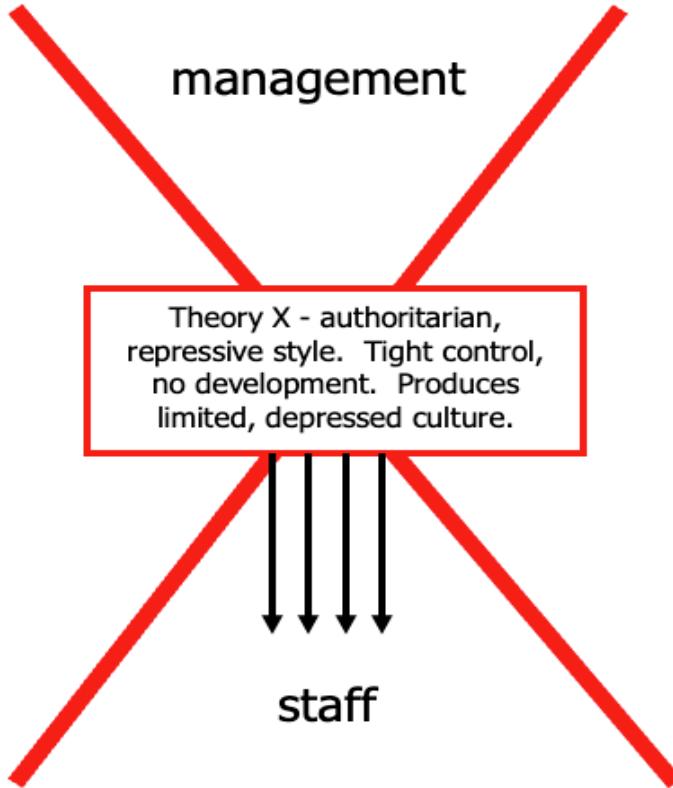
Maslow's Need Hierarchy of Needs: Suggests that people must satisfy five groups of needs in order:

- a) Physiological
- b) Security
- c) Belongingness
- d) Esteem, and
- e) Self-actualization

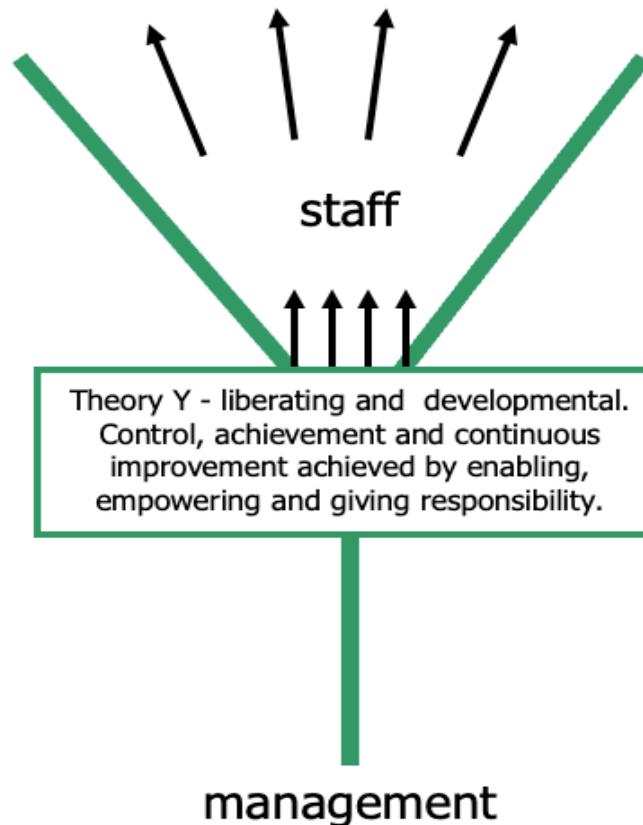


Douglas McGregor

'Theory X'



'Theory Y'



Douglas McGregor

Theory X - 'Authoritarian Management' Style

Assumptions:

1. **Dislikes** work and **will avoid** it if he/she can.
2. Most people **must be forced** with the **threat of punishment** to work towards organizational objectives.
3. Prefers to **be directed**
4. **Avoids** responsibility, is relatively unambitious, and wants security.

The Characteristics of an X-Theory Manager

- ✓ Intolerant
- ✓ Short temper
- ✓ Shouts
- ✓ Issues threats to make people follow instructions
- ✓ Demands, never ask
- ✓ Does not participate
- ✓ Does not team-build
- ✓ Unconcerned about staff welfare or morale
- ✓ Proud, sometimes to the point of self-destruction
- ✓ One-way communicator
- ✓ Poor listener

- ✓ Anti-social
- ✓ Does not thank or praise
- ✓ Does not invite or welcome suggestions
- ✓ Takes criticism badly and is likely to retaliate if from below or peer group
- ✓ Thinks giving orders is delegating
- ✓ Holds on to responsibility but shifts accountability to subordinates
- ✓ Unhappy

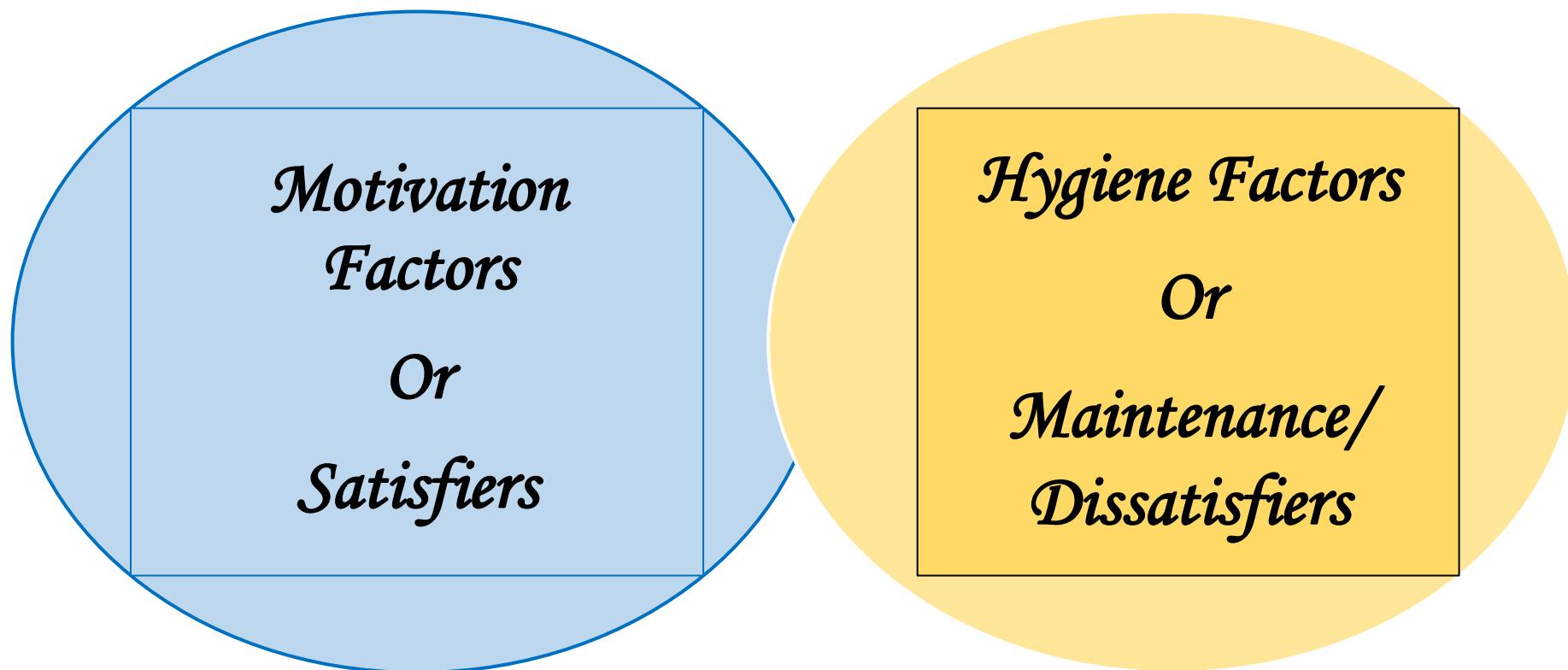
Theory Y- 'Participative Management' Style

Assumptions:

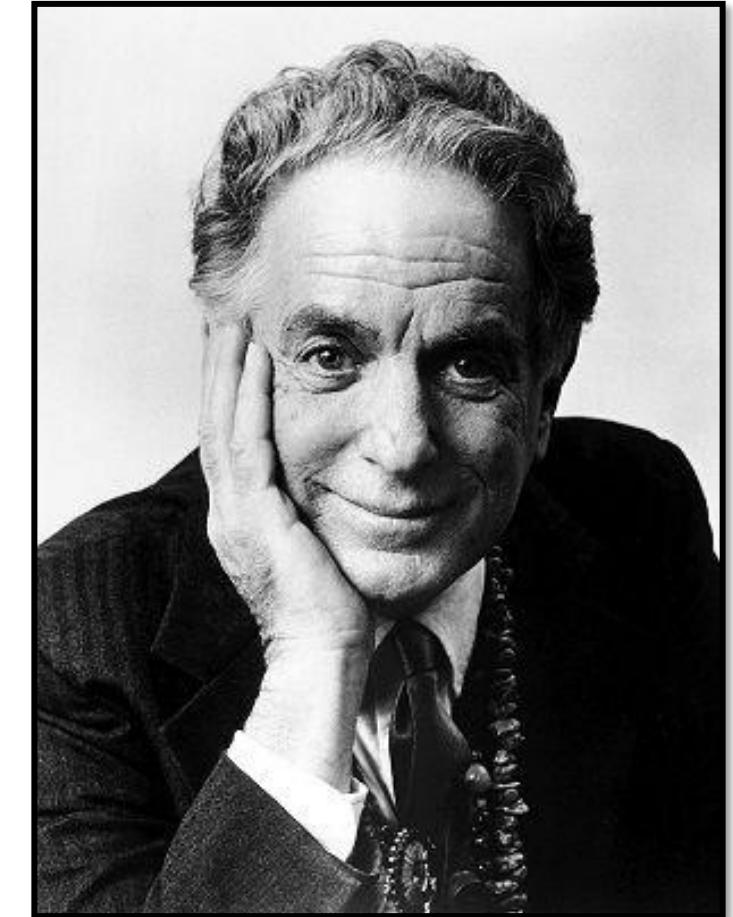
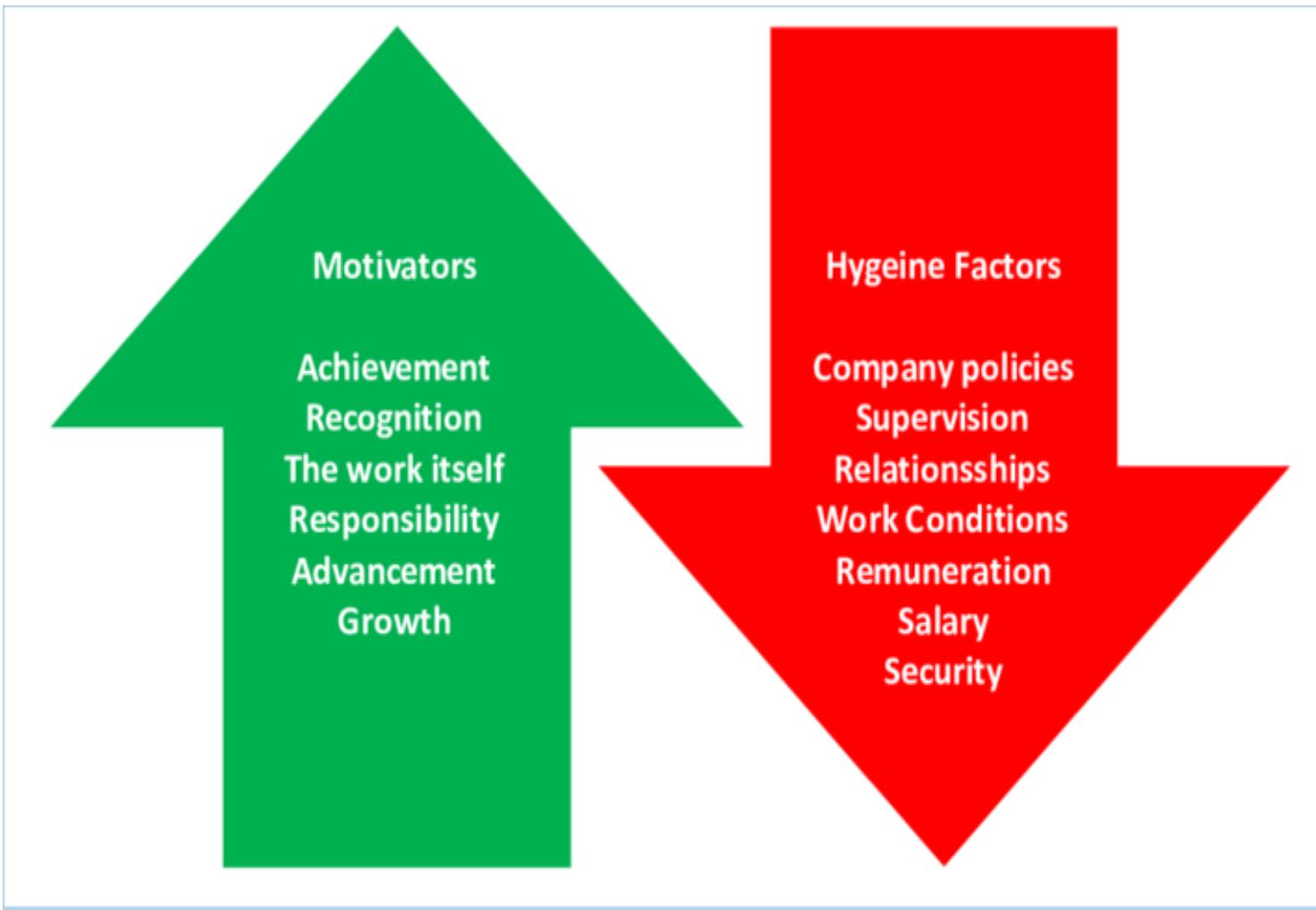
- ❖ Effort in work is as **natural as work and play**.
- ❖ People will apply **self-control and self-direction** in the pursuit of organizational objectives, **without external control or the threat of punishment**.
- ❖ **Commitment** to objectives is a function of rewards associated with their achievement.
- ❖ People usually **accept** and often seek **responsibility**.
- ❖ The capacity to **use a high degree of imagination**, ingenuity, and **creativity** in solving organizational problems is widely, **not narrowly**, distributed among the population.

Two-factor Theory of Motivation

- ◆ Frederick Herzberg suggests that *people's satisfaction and dissatisfaction depend on two independent sets of factors:*



Two-factor Theory of Motivation



Frederick Herzberg

Job Satisfaction



Influenced by Motivator Factors

- Achievement
- Recognition
- Responsibility
- The work itself
- Advancement
- Personal growth

Herzberg's Two-Factor Principles

Improving the motivator factors increases job satisfaction

Job Dissatisfaction



Influenced by Hygiene Factors

- Working conditions
- Coworker relations
- Policies and rules
- Supervisor quality
- Base wage, salary

Improving the hygiene factors decreases job dissatisfaction

Lesson 07

Session 02 of Chapter No. - 03

Discussion

Schumpeter's Views on Entrepreneurship
Everett Hagen's Theory of Social Change
Models of Entrepreneurship



Question No. 03

Schumpeter's Views on
Entrepreneurship
(**AR Khan**, 35 Page + **Others**)

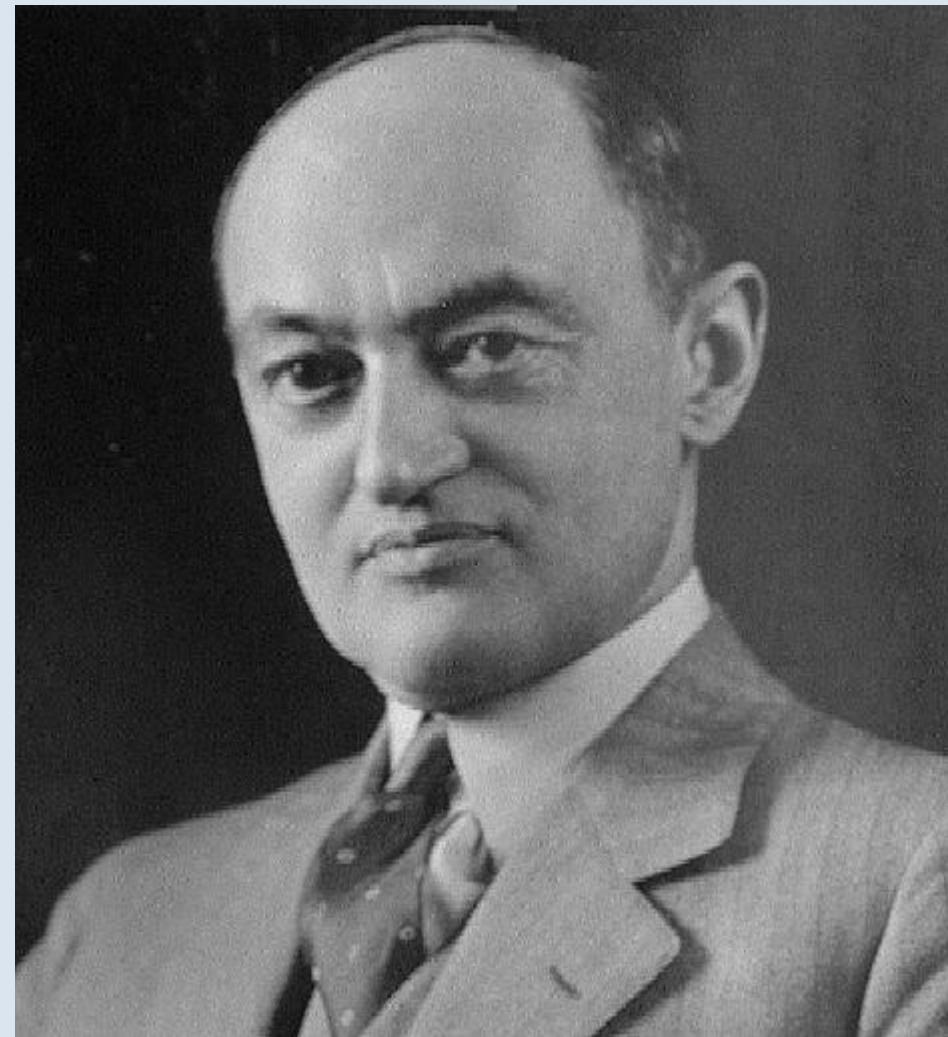
Schumpeter's Views on Entrepreneurship

- The entrepreneur is seen as the **key agent** involved in the creation of **innovative and growth-oriented** firms.

- The **Father of Entrepreneurship** and **Innovation Theory**



Due to his emphasis on the entrepreneur's role in driving economic development.



[Joseph A. Schumpeter](#)

Innovation Theory of Schumpeter

- ✓ *A dynamic theory of entrepreneurship* was first advocated by Schumpeter (1949), who considered entrepreneurship as the catalyst that disrupts the stationary circular flow of the economy and thereby initiates and sustains the process of development.
- ✓ Embarking upon 'new combinations' of the factors of production, which he succinctly terms innovation, the entrepreneur activates the economy to a new level of development.

Innovation Theory of Schumpeter

- ✓ Schumpeter defines entrepreneurship as "A Creative Activity".
- ✓ An innovator who brings new products or services into the economy is given the status of an entrepreneur.
- ✓ He regards innovation as a tool of an entrepreneur.
- ✓ The entrepreneur is viewed as the 'engine of growth'.

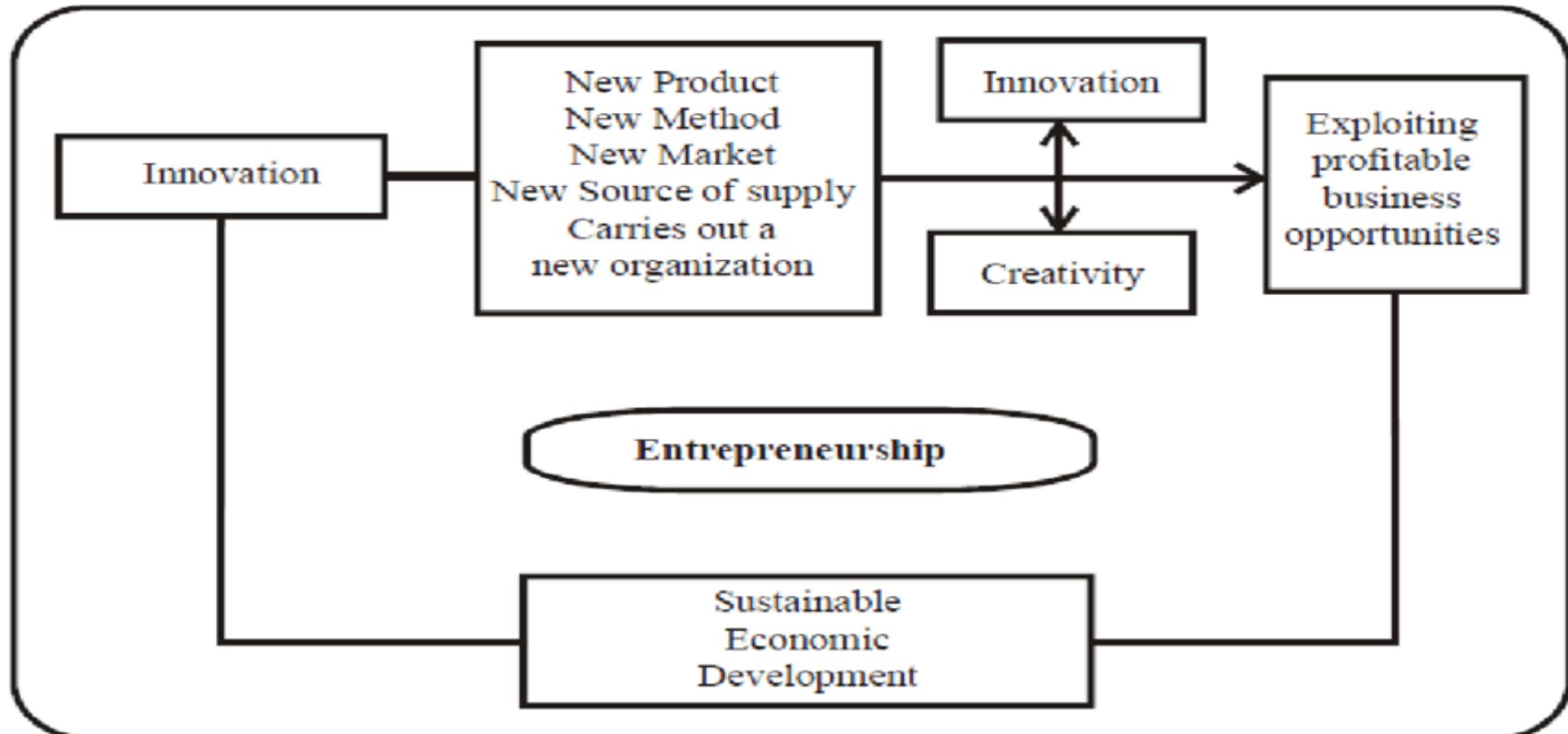
Quote



Innovation is the market introduction of a technical or organisational novelty, not just its invention.

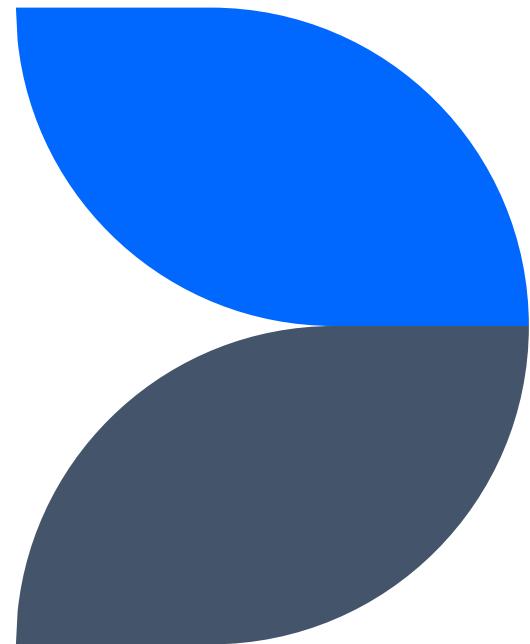
— *Joseph A. Schumpeter* —

Innovation Theory of Entrepreneurship



Question No. 04

Everett Hagen's Theory
of Social Change
(AR Khan, 38 Page)



Everett Hagen's Theory of Social Change

- “Withdrawal of status respect”
- Argues that **social and economic change** is triggered when a **significant social group perceives that it has lost status or respect** in society.



Hagen, Everett E

Continued to..... Theory of Social Change

One important theory of entrepreneurial behaviour has been propounded by Hagen which is referred to as the withdrawal of status respect. Status withdrawal occurs when members of some social group perceive that their purposes and values in life are not respected by the groups in the society they respect, and whose esteem they value.

Hagen postulates four types of events which can produce status withdrawal:

- Displacement of a traditional elite group from its previous status by another traditional supply physical force.
- Denigration of valued symbols through some change in the attitude of the superior group.
- Inconsistency of status symbols with a changing' distribution of economic power.
- Non-acceptance of expected status on migration to a new society.

Theory of social change by Everett E. Hagen

- Everett E. Hagen, in his theory of social change states **how traditional society transforms into technical advanced society.**
- The theory states that the **entrepreneur's creativity** as the **key element** of social transformation and economic growth.
- **Interrelationship** among physical environment, social structure, personality and culture plays an important part in transformation of society
- Economic Growth is a product of social change and political change : According to Hagen, most of the economic theories of underdevelopment are inadequate.
- He rejected the idea that the solution to economic development lies in imitating western technology.

Everett Hagen's Theory of Social Change

The four possible reactions to the withdrawal of status respect, which relate to 4 different personality types

- (i) The retreatist:** An individual who works in the society but is indifferent to the work and position.
- (ii) The ritualist:** An individual who works in the manner accepted and approved by the society but has no hopes of improving his/her position.
- (iii) The reformist:** An individual who fights against the injustice and tries to rebels against the established society in order to form a new society.
- (iv) The innovator:** An individual who endeavours to bring about new changes and utilizes all opportunities. This personality reflects the personality of an entrepreneur.

Session 03 of Chapter No. - 03

Discussion

- **Timmons Model of the Entrepreneurial Process**
- **Model of Entrepreneurial Motivation**
- **Cultural Theories**

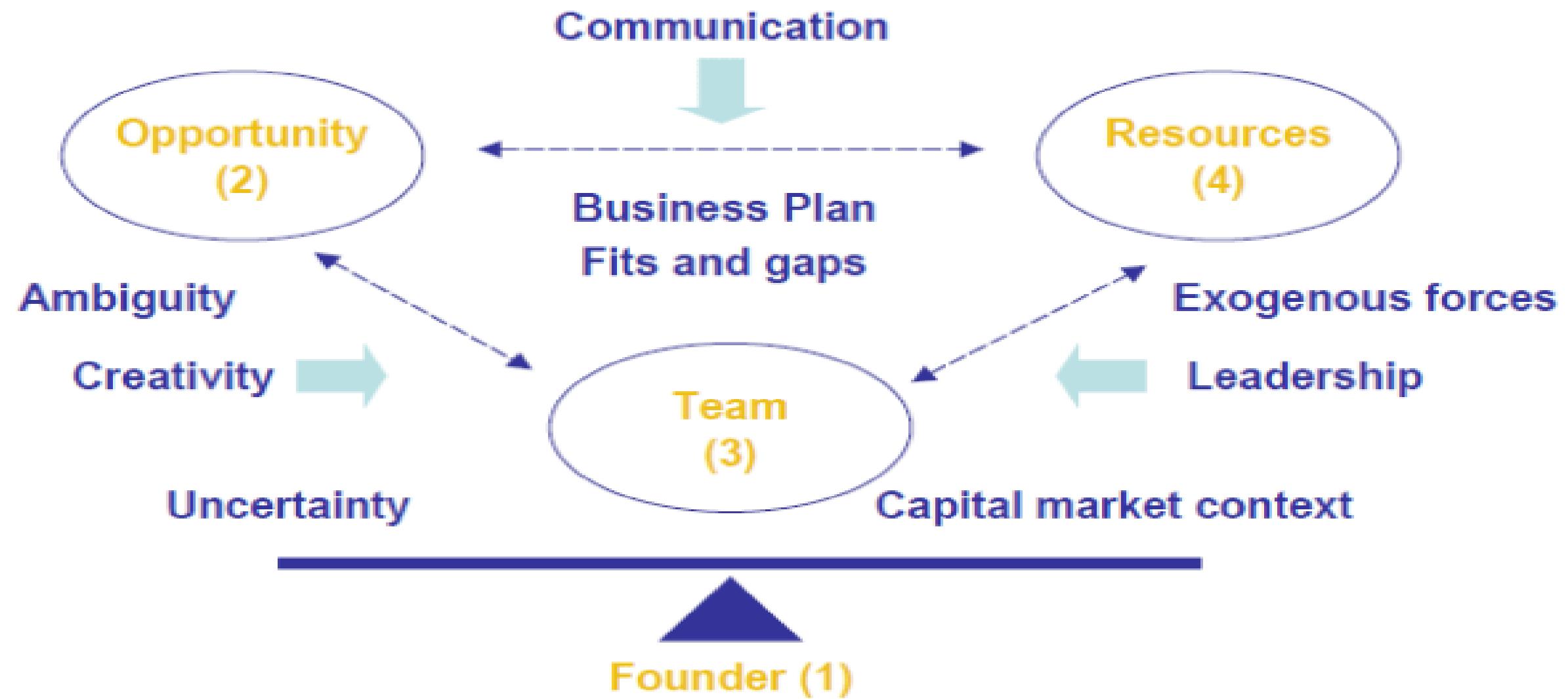


Question No. 05

**Models of Entrepreneurial
Process**

(Extra Source)

Timmons Model of the Entrepreneurial Process



Continued to.....

- ❖ The Timmons Model of Entrepreneurship considers **opportunities, teams, and resources** as the **three** critical factors available to an entrepreneur and holds that success **depends on** the ability of the entrepreneur **to balance these critical factors.**
- ❖ The entrepreneur **searches for an opportunity**, and on finding it, **shapes the opportunity** into a high-potential venture by **drawing up a team and gathering the required resources** to **start a business** that capitalizes on the opportunity.
- ❖ The process starts with **opportunity, not money, not strategy, not networks, not the team, not the business plan.**
- ❖ Most genuine opportunities are **much bigger than either the talent and capacity of the team or the resources available to the team at the outset.**
- ❖ The business plan provides **the language and code for communicating** the quality of the three driving forces and of their fit and balance.

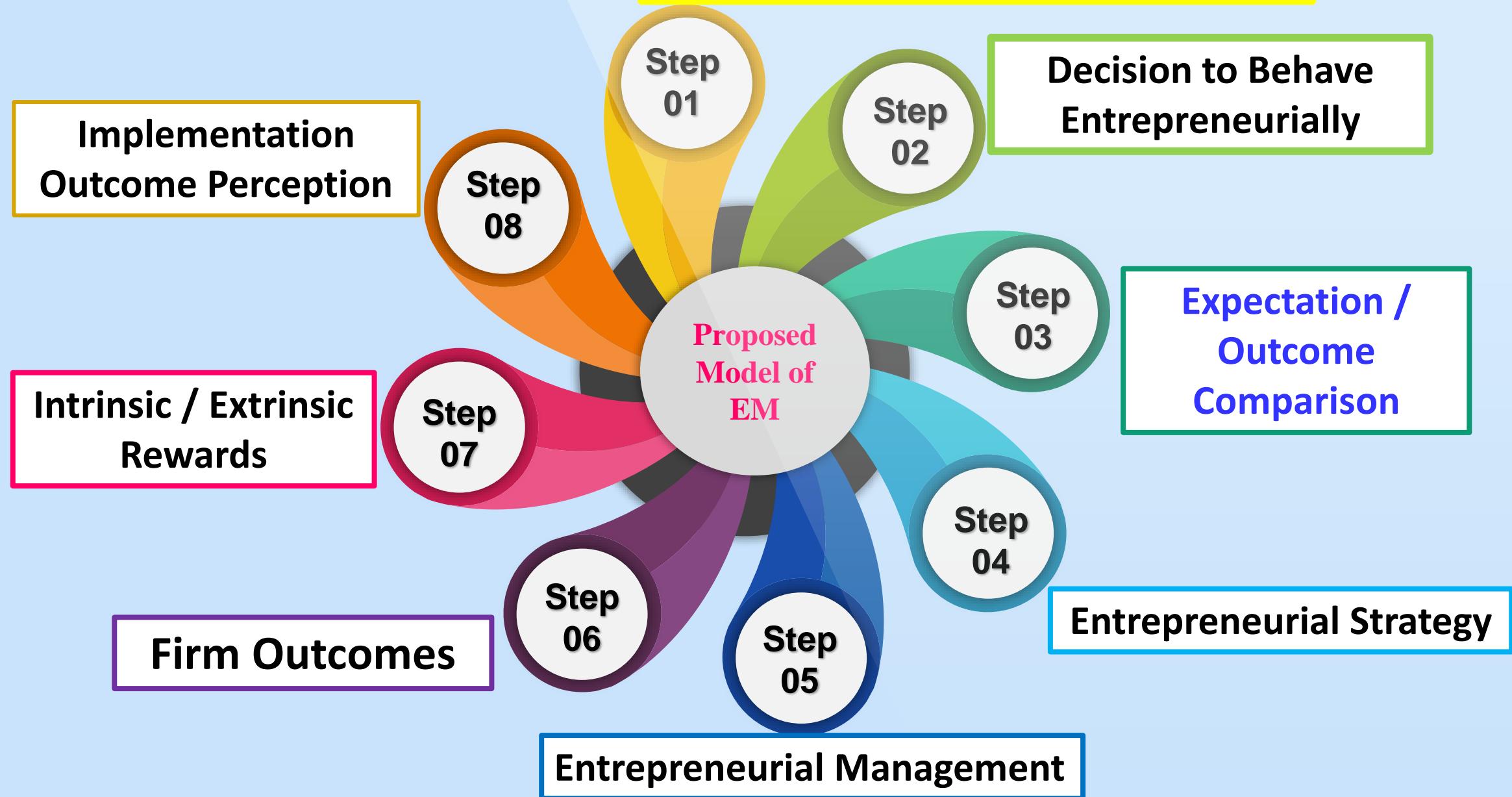
Question No. 06

Proposed Model of Entrepreneurial Motivation

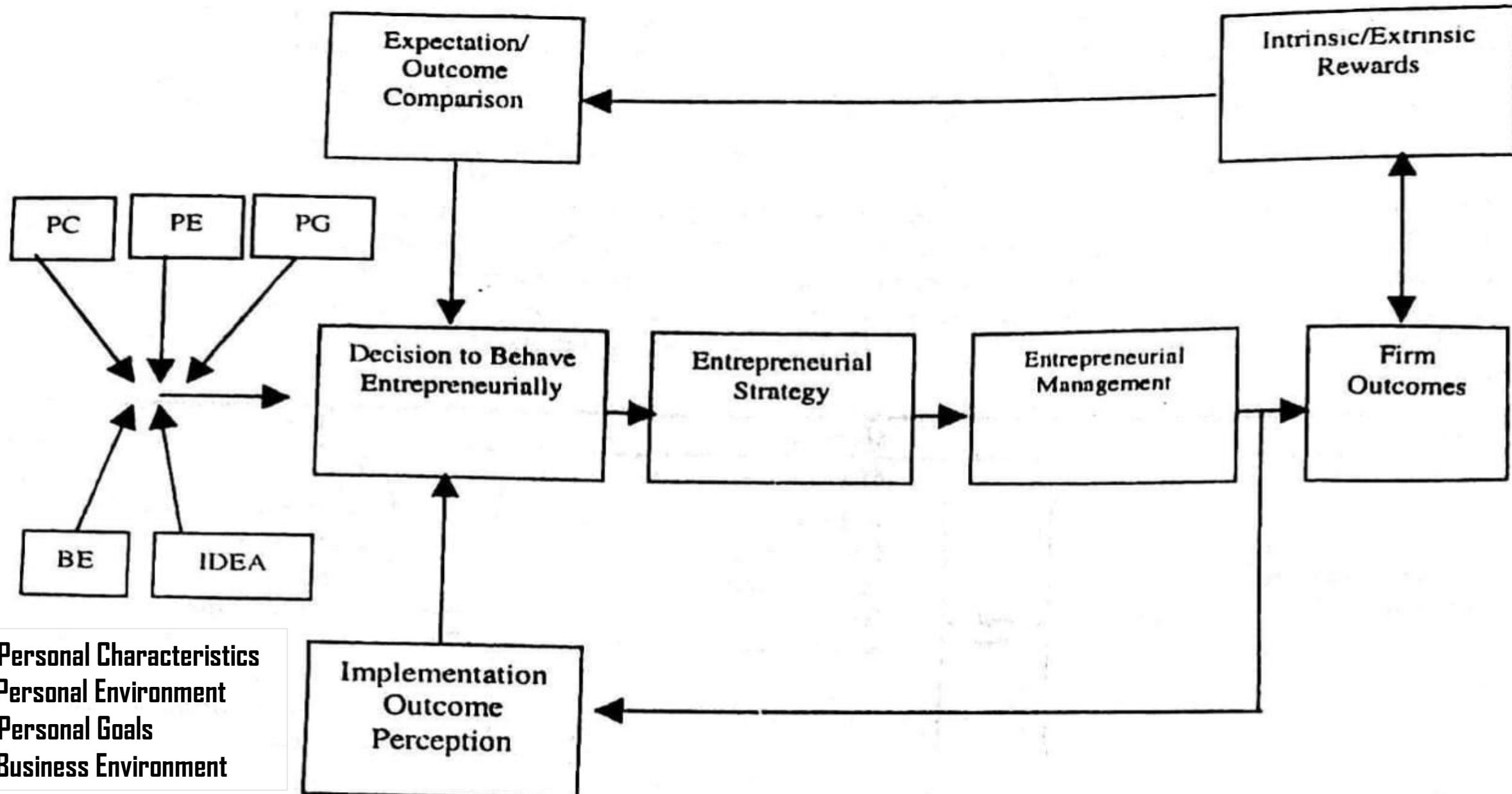
(AR Khan Page 40)

Proposed Model of EM

Personal and Contextual Antecedents:
PC, PE, PG, BE, IDEA



Proposed Model of Entrepreneurial Motivation

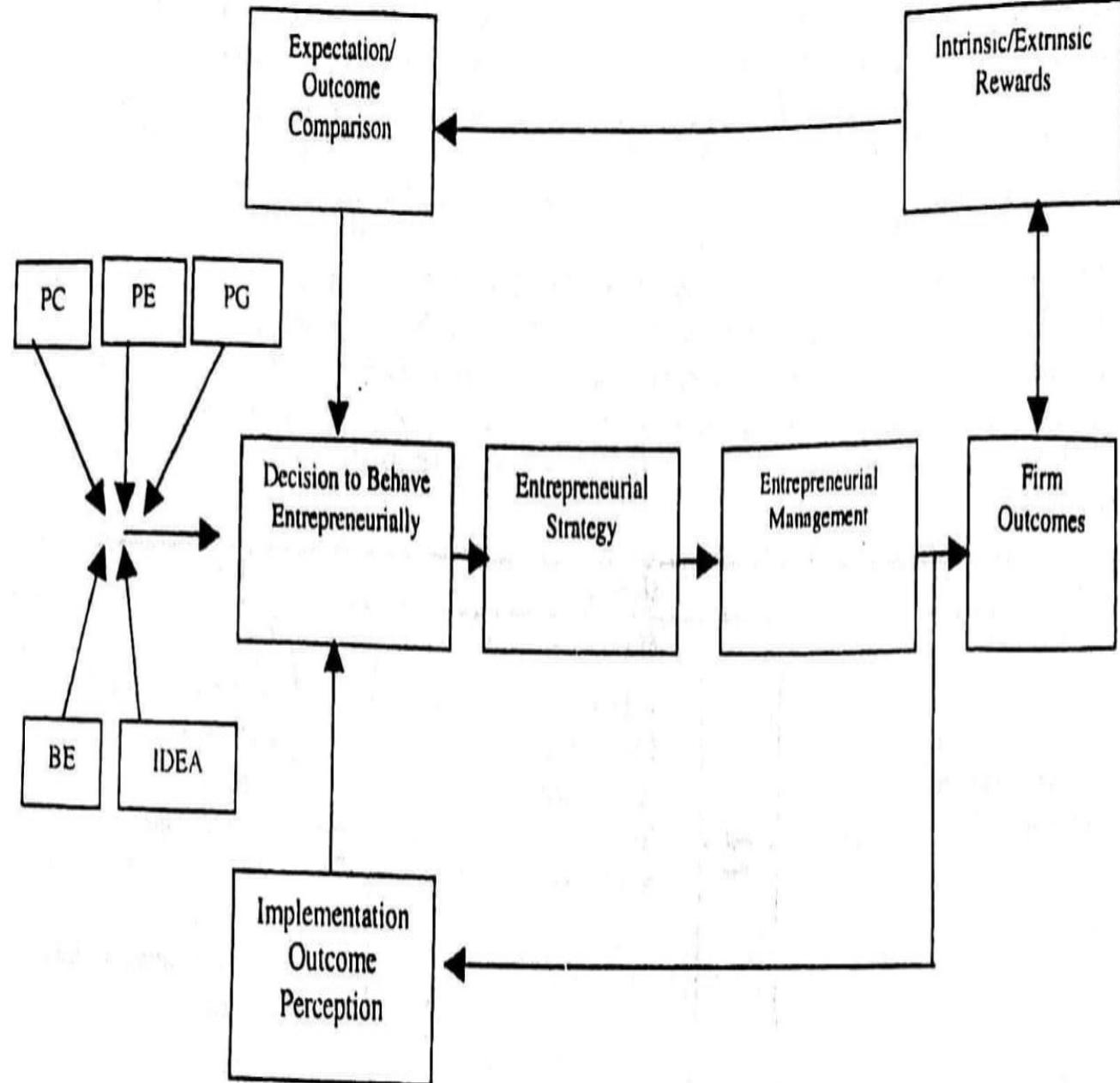


Explains:

How individuals **decide to** behave entrepreneurially and how this behavior **influences** firm outcomes, shaped by expectations, perceptions, and rewards.

This Model Demonstrates:

- ✓ how individual *traits, experience, goals, environment, and ideas* shape entrepreneurial decisions
 - ✓ how *strategy and management* create firm outcomes
 - ✓ how *rewards and outcome* perceptions create feedback loops
 - ✓ how **entrepreneurial behavior** is refined over time



Continued to.....

5. Entrepreneurial Management

- ✓ Organizing Resources
- ✓ Leading Teams
- ✓ Managing Operations
- ✓ Monitoring Performance

Effective EM leads to better firm outcomes

6. Firm Outcomes

- Financial Performance
- Growth
- Survival
- Customer Satisfaction
- Competitive Advantage

7. Intrinsic & Extrinsic Rewards

Intrinsic Rewards

- ❖ Personal Satisfaction
- ❖ Autonomy
- ❖ Achievement
- ❖ Recognition, Reputation
- ❖ Learning

Extrinsic Rewards

- ✓ Profit
- ✓ Business Growth
- ✓ Wealth
- ✓ Market Status

Continued to.....**Proposed Model of Entrepreneurial Motivation**

8. Implementation Outcome Perception

This is the **entrepreneur's evaluation of actual outcomes** after implementing strategies:

- ❖ “Did the business perform as expected?”
- ❖ “Did I achieve my goals?”
- ❖ “Were the risks worth it?”

This perception feeds back into the **Decision to Behave Entrepreneurially**, shaping future behavior:

- ✓ If **outcomes are positive** → increased confidence → more entrepreneurial behavior.
- ✓ If **negative** → decreased motivation → possible withdrawal or strategic change.

Question No. 07

**Cultural Theory (Extra
Source)**

Different Framework for Assessing Culture

- ✓ Hofstede's Framework for Assessing Culture/ Cultural Dimension Theory
- ✓ Trompenaars' five Dimensions for Assessing Culture

i) Hofstede's Cultural Dimension Theory

..... a framework which used for **understanding cultural differences** by identifying six key dimensions

-
- 01 Power distance
 - 02 Individualism vs. Collectivism
 - 03 Masculinity vs. Femininity
 - 04 Uncertainty Avoidance
 - 05 Long-term Vs. Short-term Orientation

Power Distance

- Talks about **the nature and distribution of power** in **society/organizations/institutions**.
- Determines **the level of hierarchy** in the **workplace** and the **distance between social statuses**.
- As per Hofstede (1980), “Power Distance is defined as **the extent** to which the **less powerful members** of institutions and organizations within a country **expect and accept** that power is **distributed unequally**”.

Individualism vs. Collectivism

- Talks about **the degree of interdependence a society** maintains among its members. This is a measure of whether **people prefer to work alone or in groups**.
- In the extent to which people look after **themselves and their own interests**, or look after **the extended family and interests of society**.
 - ➔ In **individualist** societies, each member of a society is primarily concerned with **his or her own interests** and those of **his/her own immediate family**. Individualist cultures are characterized by **independence**, the importance of **individual rights**, and the recognition of personal initiative and achievement.
 - ➔ In **collectivist** societies, members have a group mentality. Collectivist cultures value the overall good loyalty of the group. Collectivism emphasizes **collective goals, collective rights, interdependence, and association with the larger collective**.

In Hofstede's studies, this cultural dimension was shown to **strongly relate to** power distance, which means that individualist cultures tend to have a lower power distance.

Masculinity vs. Femininity

- » This dimension depicts the preferred degree of both **masculine & female**.
- » **Masculine qualities** are **authority, performance, achievement, money, competition and success**. **In masculine societies**, people are motivated by specific targets and are being able to show that they achieved them either as a group or as individuals.
- » **Female characteristics** are warm **personal relationships, quality of life, service, care for the weak, preserving the environment, and solidarity and welfare**. **In feminine societies**, quality of life and environment over materialistic needs is valued. In the feminine cultures, both women and men are supposed to be equal, modest, and concerned with the quality of life. Workplace flexibility and work-life balance may be important, both in terms of job design, organizational environment and culture in low masculinity score society.

Uncertainty Avoidance

- Uncertainty Avoidance refers to the extent to which **people feel threatened** by uncertainty or ambiguity.
-the extent to which **the members of a society** are **uncomfortable** with **unclear, ambiguous or unstructured situations.**
 - ➔ In **high uncertainty avoidance** societies, people are **risk-averse and engage in long-range planning** to establish protective barriers **to minimize** the **anxiety** associated with future events.
 - ➔ In **low uncertainty avoidance** societies, people can **better deal with unstructured and unclear situations** and they are more tolerant of persons whose opinions differ from their own.

Long-term Vs. Short-term Orientation

- ◎ Do people take a long- or short-term point of view.
- ◎ Time Perspective refers to the degree to which people **exhibit a pragmatic future-oriented perspective** rather than a conventional history, or short-term point of view.

In **long-term orientation societies**, persistence is valued and **they tend to be future-oriented**. They give more significance to the future which fosters pragmatic values oriented towards **rewards, saving and capacity of adaptation**.

In **short-term orientation societies**, preserving **history** and continuing **past traditions** is valued. Such societies are concerned with fostering of virtues in relation to **past and present**, respect for **tradition and fulfilling social obligations**.

ii) Trompenaars' five Dimensions for Assessing Culture

01

Universalism
Vs
Particularism

02

Individualism
Vs
Collectivism

03

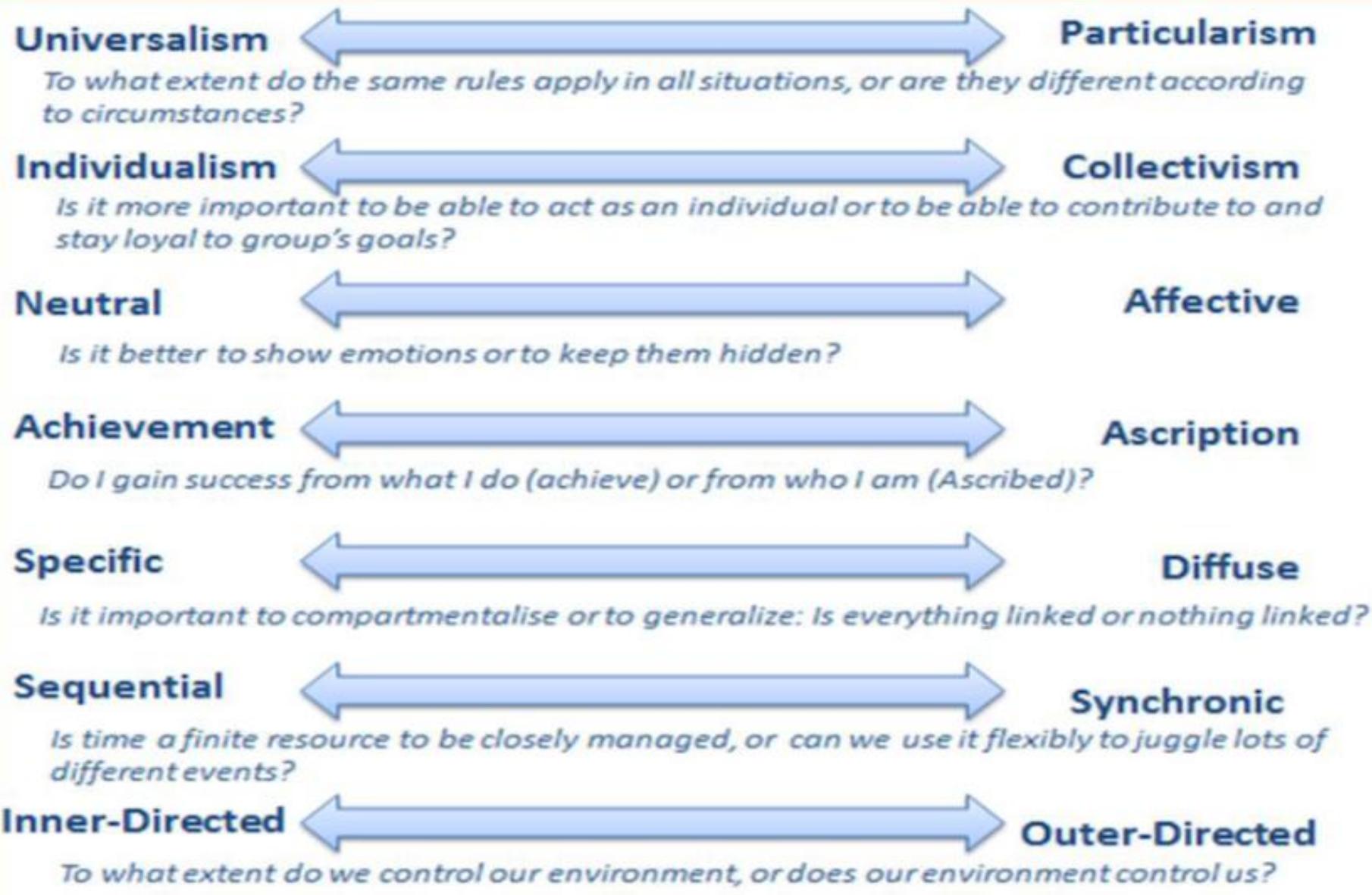
Specific Vs Diffuse
Relationships

04

Neutral Vs Affective
Relationships

05

Achievement
Vs
Ascription



From Trompenaars & Hampden-Turner (1997) – 7 Dimensions of Culture

Source:
[https://www.research
gate.net/publication/3
24809349_ORGANIS
ATIONAL_CULTURE-
ENABLERS_AND_INH
IBITORS_FACTORS_F
OR_THE_EFFECTIVE
IMPLEMENTATION_O
FLEAN_WITHIN_SM
ES](https://www.researchgate.net/publication/324809349_ORGANISATIONAL_CULTURE-ENABLERS_AND_INHIBITORS_FACTORS_FOR_THE_EFFECTIVE_IMPLEMENTATION_OF_LEAN_WITHIN_SMES)

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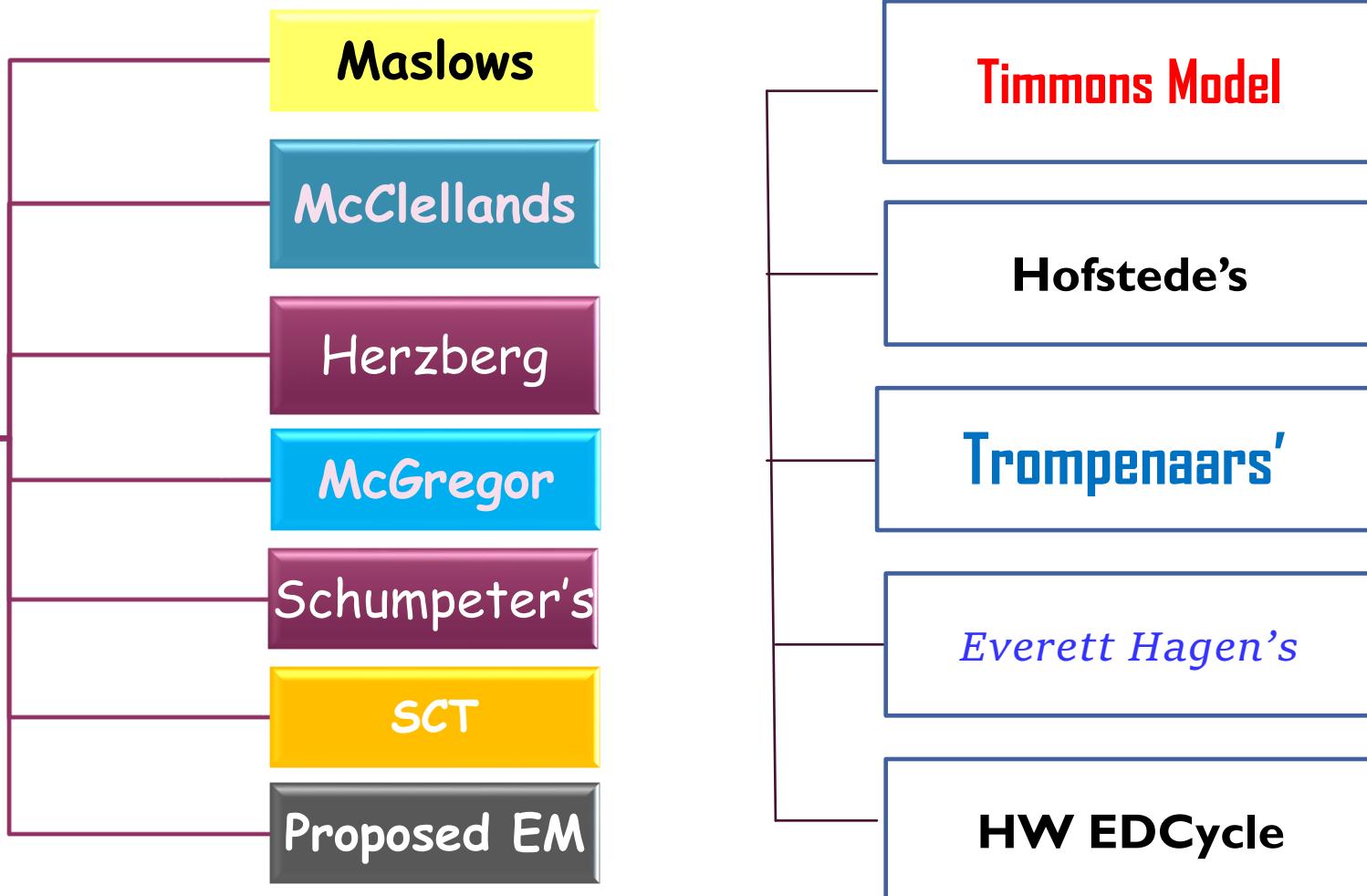
Summary of the chapter
from Book

Home
Task

Entrepreneurial Development Cycle

Summary

Theories & Models





Any
Queries

Thank You

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