The Psychology of Entrepreneurship

Why Psychology?

Product
Strategy
Hiring
Managing
Marketing
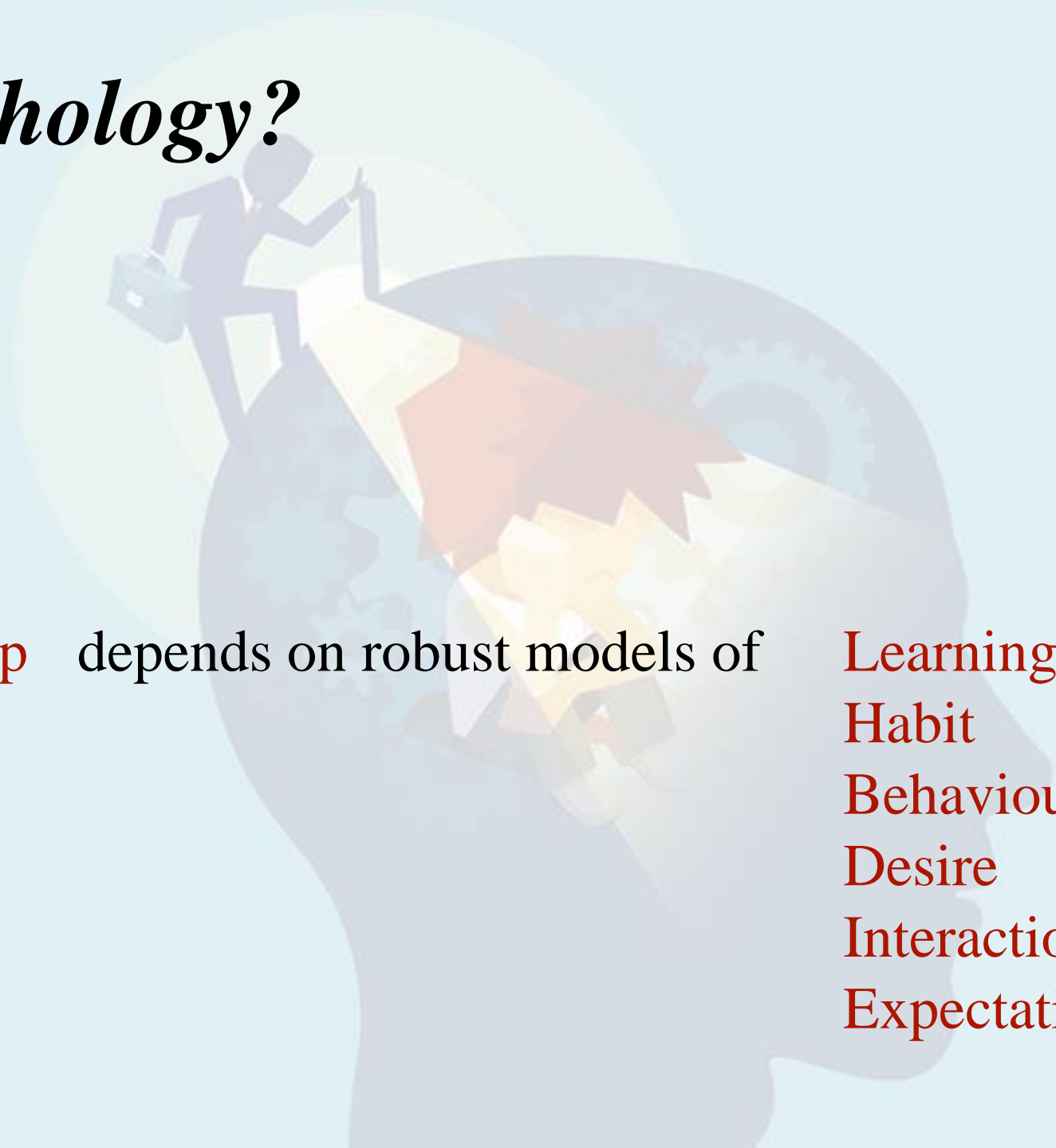Entrepreneurship   depends on robust models of   Learning
Habit
Behaviour
Desire
Interaction
Expectation

What Are The Psychological Theories Of Entrepreneurship?

- **Self-Efficacy Theory**

This theory looks at an individuals mindset towards achieving a goal and how this mentality is developed. Self-efficacy is essentially **the belief in your own ability to control your own behavior, emotions, and motivations**. ... For example, a student who has a high level of self-efficacy in mathematics will feel confident in their ability to do well in a tough statistics class. The entrepreneurial self-efficacy is the perception of the confidence of the entrepreneurs in themselves in their own entrepreneurial capacities, before they are laid out to launch out in the business

- **Locus of Control Theory**

This theory analyzes an individual's perception of events and suggests that individuals with an internal locus of control are associated with entrepreneurial intentions. Locus of control is a psychological concept that refers to **how strongly people believe they have control over the situations and experiences that affect their lives**. In education, locus of control typically refers to how students perceive the causes of their academic success or failure in school.

- **Self-Competition Theory**

This theory suggests that individuals develop the desire to improve themselves and become better than their past selves.
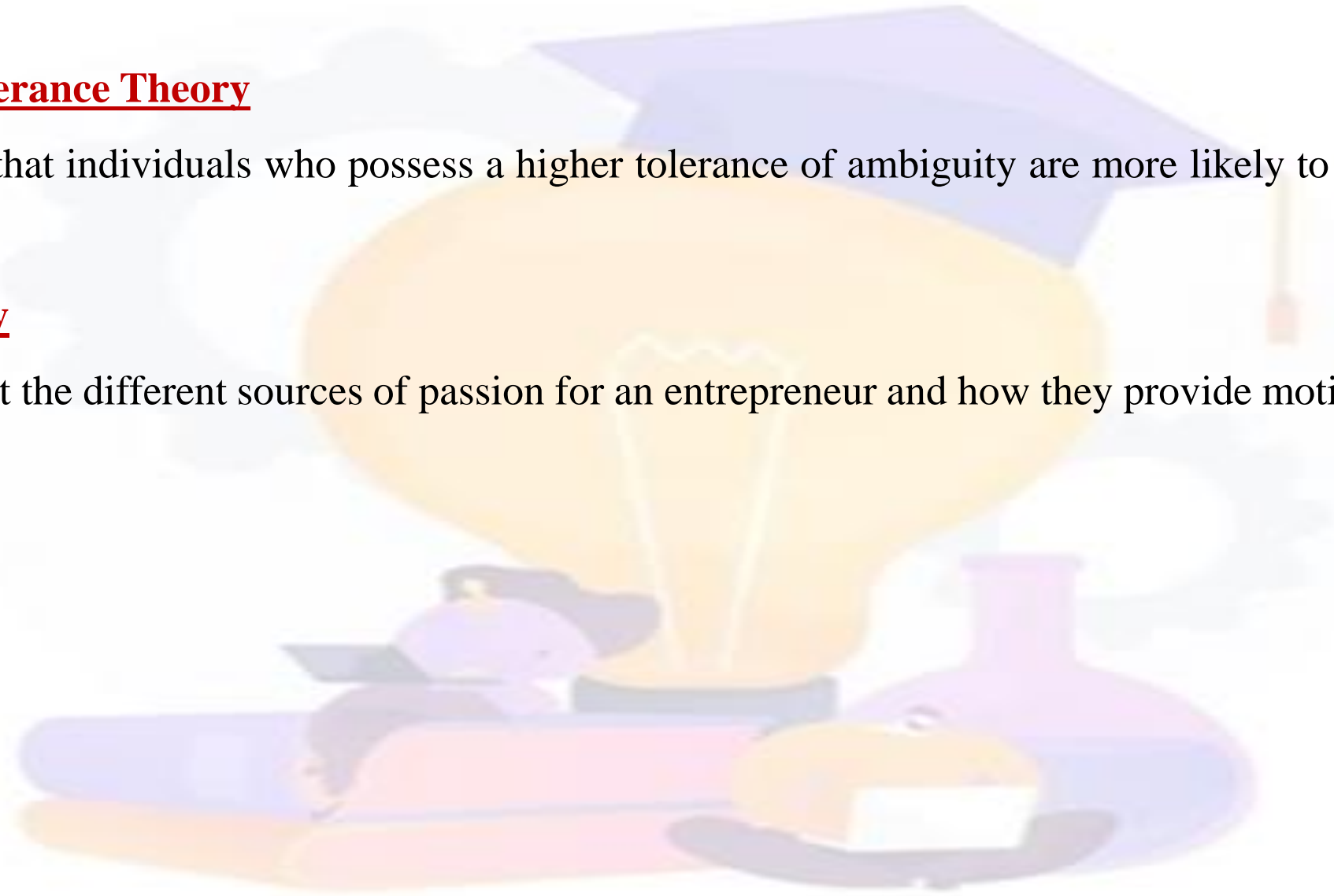
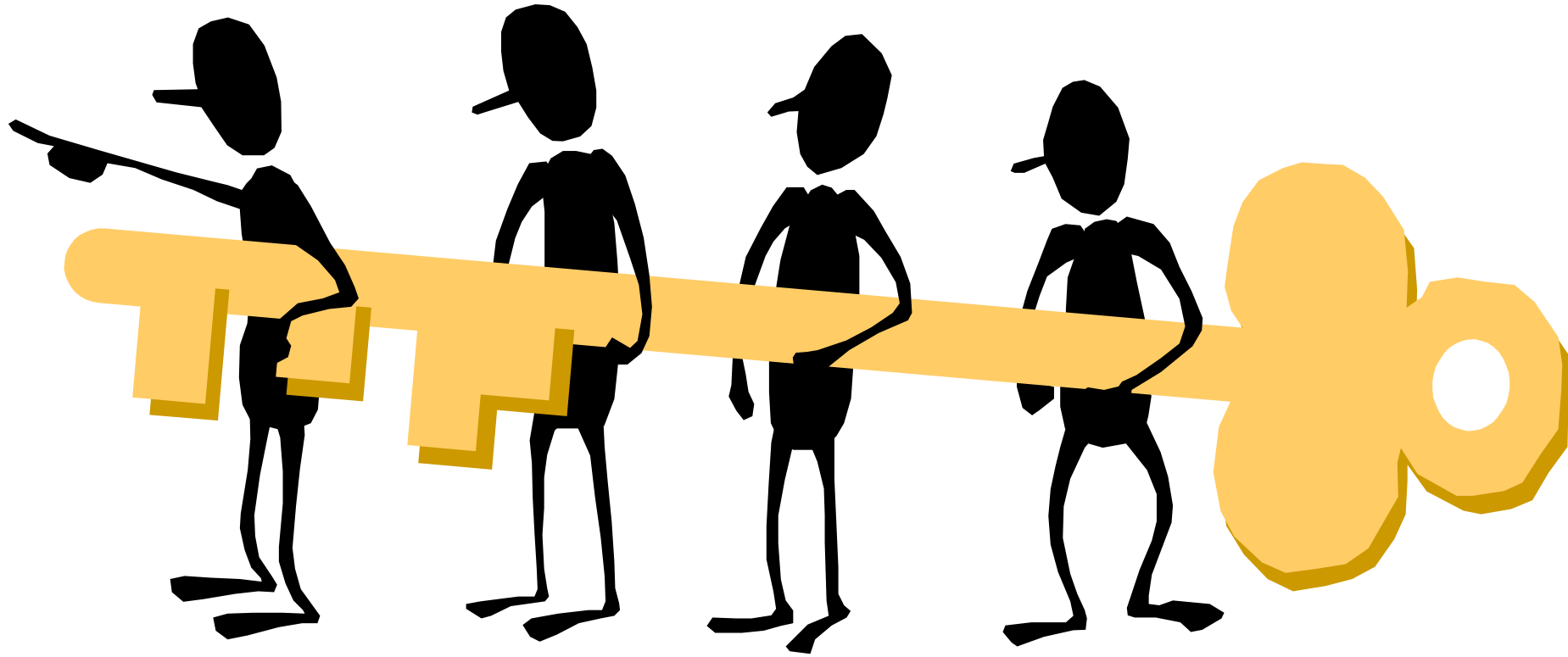# *What Are The Psychological Theories Of Entrepreneurship?*

- **<u>Ambiguity Tolerance Theory</u>**

This theory posits that individuals who possess a higher tolerance of ambiguity are more likely to succeed in the face of uncertainty.
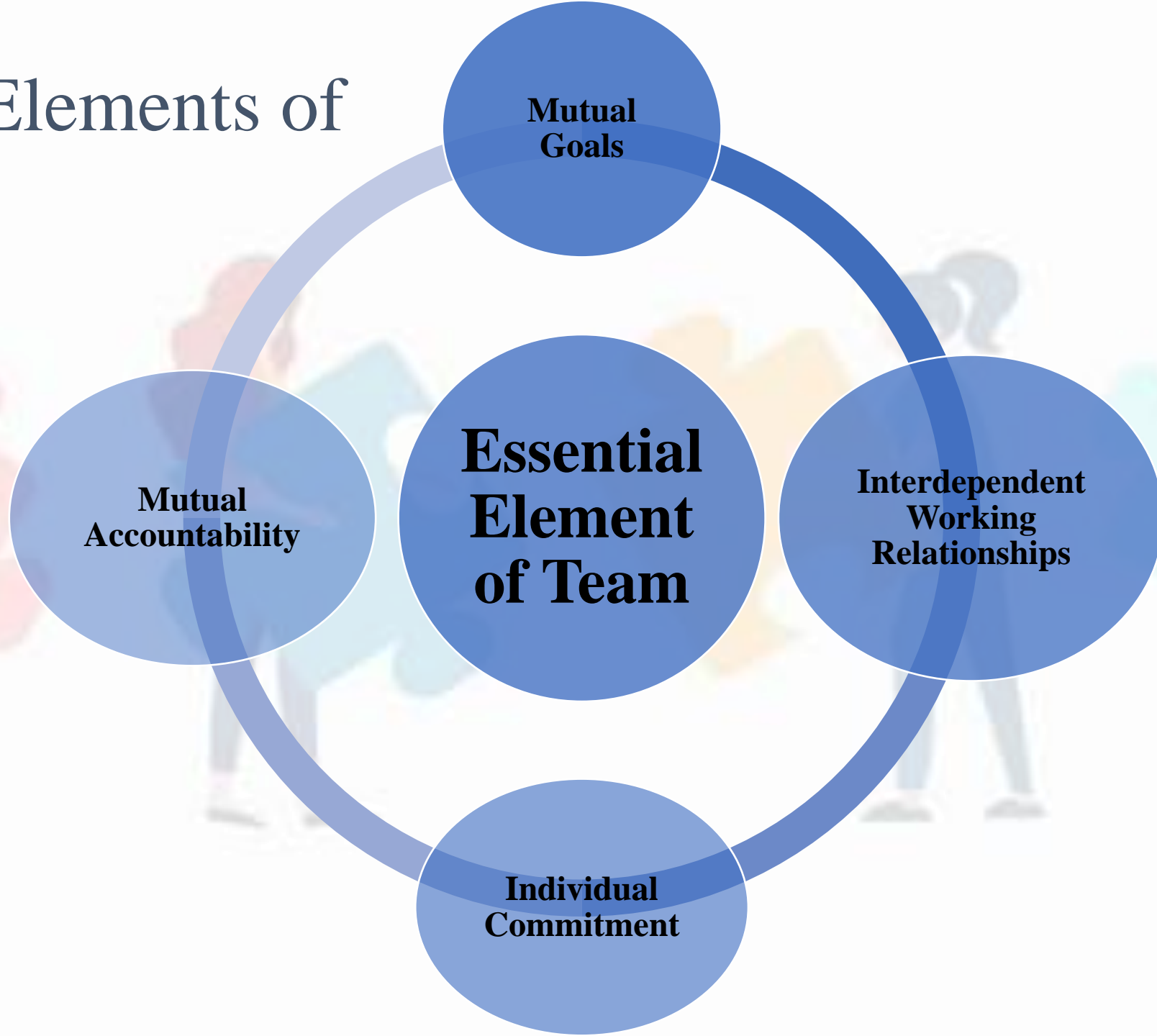
- **<u>Passion Theory</u>**

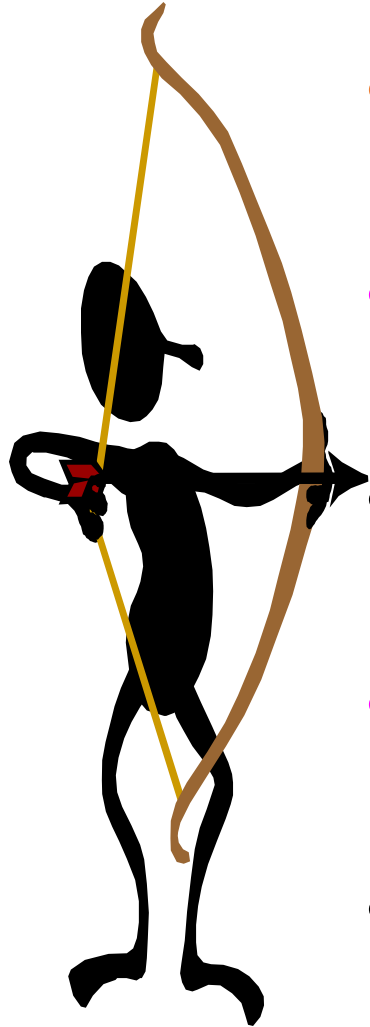This theory looks at the different sources of passion for an entrepreneur and how they provide motivation.

Building A
High Performing Team

Essential Elements of Teams

Mutual Goals

Mutual Accountability

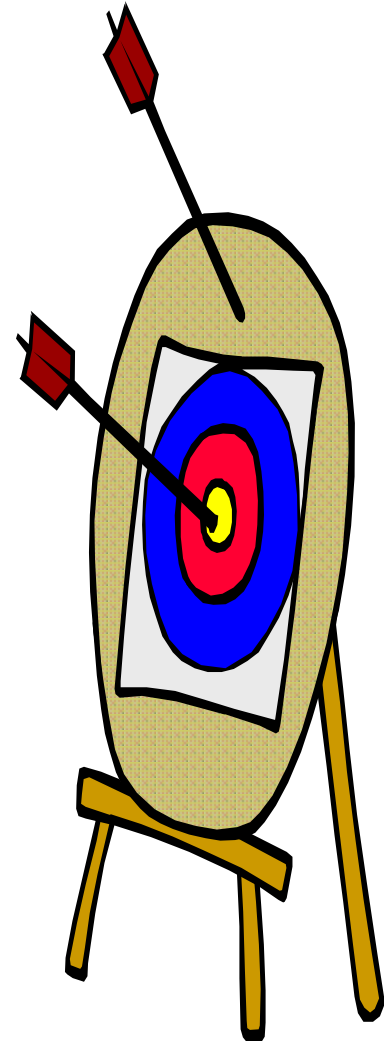Essential Element of Team

Interdependent Working Relationships

Individual Commitment

Effective Team Member

- Understands and is committed to group goals.
- Is friendly, concerned, and interested in others;
- Acknowledges and   confronts conflict openly;
- Listens to others with understanding;
- Includes others in decision making process;

Effective Team Member
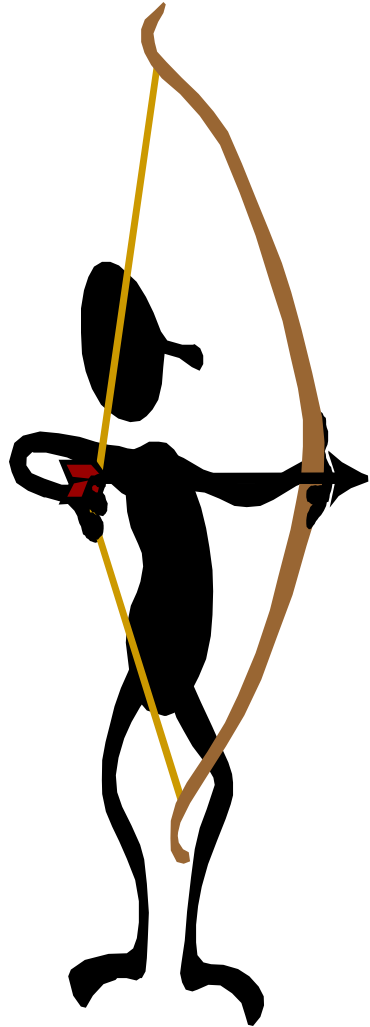
- Recognizes and respects Individual differences
- Contributes ideas and Solutions;
- Values the ideas and contributions of others
- Recognizes and rewards team efforts and
- Encourages and appreciates comments about team performance.
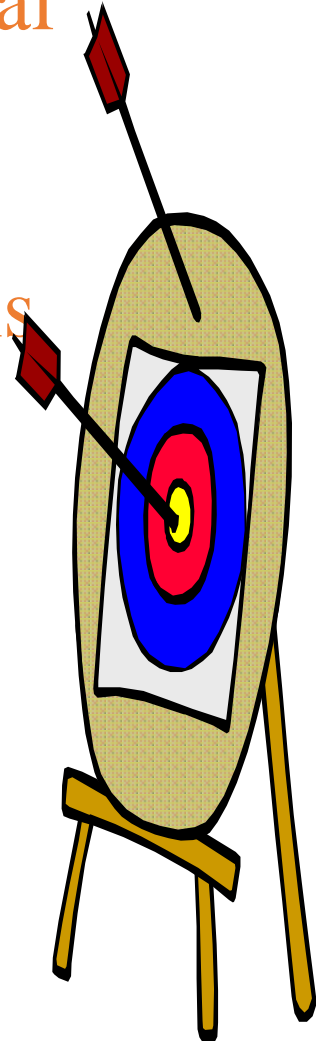
THEORIES ANR MODELS OF TEAMWORK

Douglas Theories X and Y

Theory X :

1) Inherent dislike of work
2) Need for forcing, threatening, controlling, directing, pursing them to achieve organizational goals
3) Person prefers being directed in order to avoid responsibility
4) Money or insecurity acts as prime motivation
5) Limited creativity in human beings

Douglas Theories X and Y

Theory Y:

1) For psychological growth of human beings, physical and mental efforts are necessary in work as in rest or play

2) Self-direction and self control are exercised by human beings while pursing an objective.

3) Rewards induce commitment to objectives

4) Under proper circumstances the average human beings learn to take on responsibility and move towards an objective

5) Self imposed discipline is more effective than externally imposed

6) Although creativity and ingenuity are not widely used in most job situations, the capacity to exercise exists widely among the human beings.

The **Adair Model** :

1.Achieve the task

2.Build and maintain the team

3.Develop the individual

The Adair Model

Task
Clear targets
Standards of performance
Clear responsibilities
Achieve targets
Systemic approach

Team
Common purpose
Supportive climate
Common identity
Sense of Achievement
Grow and development as unit

Individual
Accepted – By leader
By Team
Valued – By Leader
- By Team
Able to contribute
Know what is expected
Growth
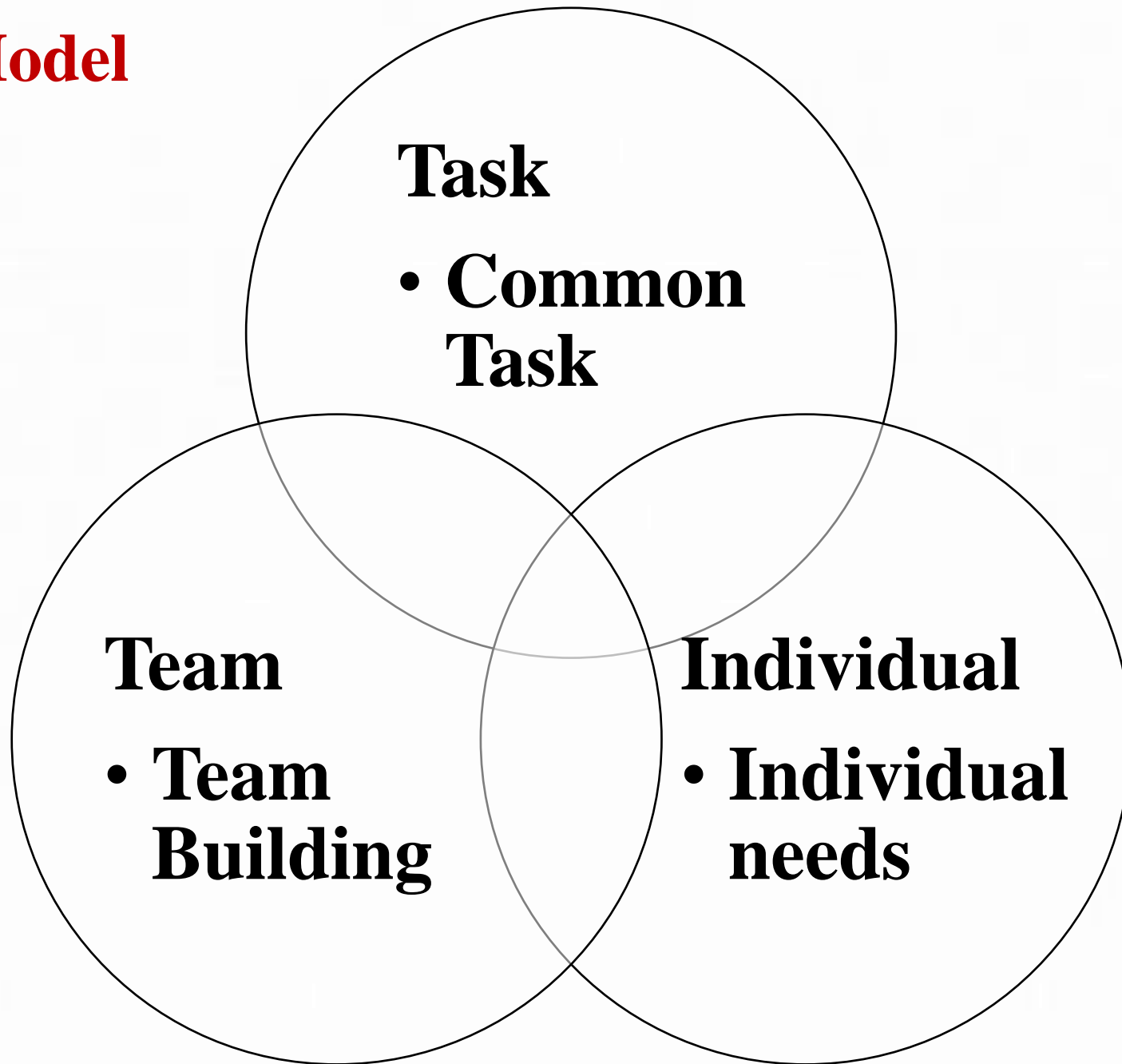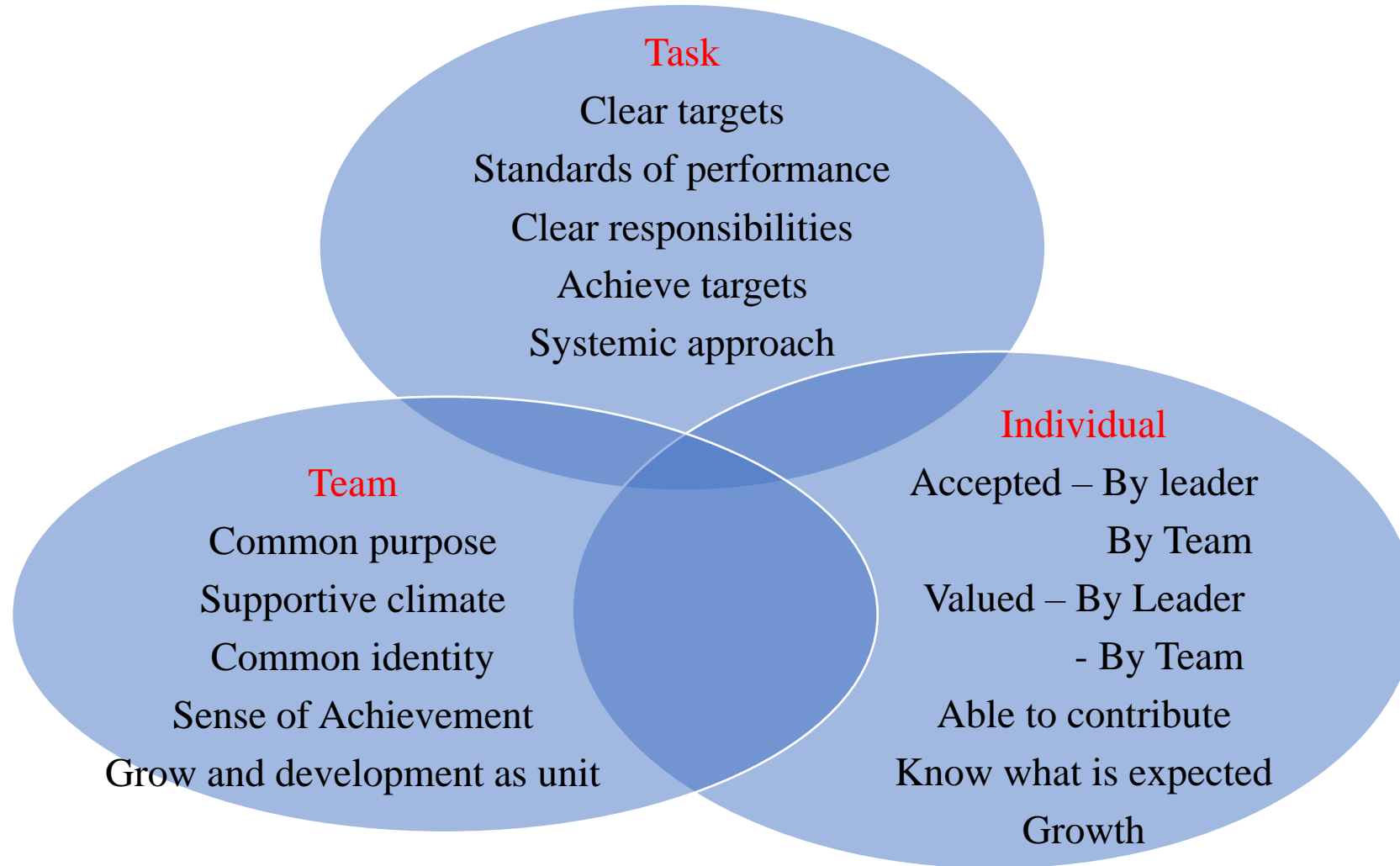
The **Adair model** for accomplishment requires

•The task needs work groups or organizations to come into effect because one person alone cannot accomplish it.

•The team needs constant promotion and retention of group cohesiveness to ensure that it functions efficiently. The team functions on the 'united we stand, divided we fall' principle.

•The individual's needs are the physical ones (salary) and the psychological ones of recognition; sense of purpose and achievement; status; and the need to give and receive from others in a work environment.

For Adair, the task, team and individual needs overlap as follows:

•Achieving the task builds the team and satisfies the individuals

•If the team needs are not met - if the team lacks cohesiveness - then performance of the task is impaired and individual satisfaction is reduced

•If individual needs are not met the team will lack cohesiveness and performance of the task will be impaired

Adair's view is that leadership exists at three different levels:

• Team leadership of teams of 5 to 20 people

• Operational leadership, where a number of team leaders report to one leader

• Strategic leadership of a whole business or organisation, with overall accountability for all levels of leadership

Stages Of Team Formation

- **Forming:**
  - Period of testing and learning for the group.
  - Period of considerable anxiety where group members are extremely cautious.

- **Storming:**
  - Conflict emerges as individuals start to assert themselves.
  - Members compete for status and position of relative control.

Stages Of Team Formation

- **Norming:**
  - Group norms emerge
  - Work standards get set
  - The groups begin to work cooperatively

- **Performing:**
  - Group gets structured
  - Challenges get handled
  - Group becomes task oriented
  - High involvement levels are seen

Stages of Team Building

Forming	Awareness	Underdeveloped
Storming	Conflict	Experimenting
Norming	Cooperation	Consolidating
Performing	Productivity	Mature
	Seperation	

TEAM ROLES

✓ **Coordinator's Role**: Leader: Group Objective and set agenda

✓ **Shaper's Role**: Shape to the team's efforts

✓ **Plant's Role**: Sources of new idea generation

✓ **Monitor's Role**: Guide the team

✓ **Team Worker / Implementer's Role**: Convert decision and strategies into defined and manageable task

✓ **Resource Investigator's Role**: provide resource information

✓ **Team Man's role:** Provide motivational support

✓ **Finisher's role**: Mentioned a permanent sense of urgency

CO-ORDINATOR [CHAIRMAN]

Trusting, Dominant with strong commitment for achieving external goals.

Positive Qualities

Calmness under pressure, practical self-discipline, enthusiasm.

Tolerant enough always to listen to others but strong enough to reject their advice.

THE SHAPER

TYPICAL FEATURES
Outgoing, dynamic, tough minded, opportunistic, emotional.
Good at directing attention to the setting of objectiveness and priorities & shaping the outcome of group activities.

POSITIVE QUALITIES
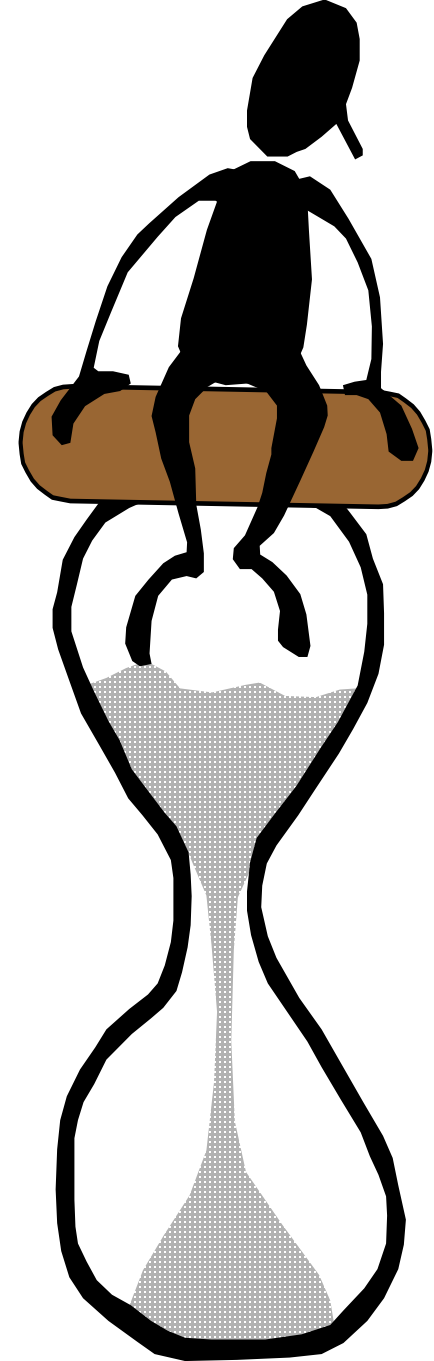Strong need for achievement.
Capacity to galvanize a team into action.

SOLO PLAYER "PLANTS"

Typical Features
Individualistic, serious-minded, Creative.

Positive Qualities
Brains, Imagination, intellect, knowledge.

RESOURCE INVESTIGATOR

TYPICAL FEATURES
Extroverted, enthusiastic, unanxious, curious, communicative, stable.

POSITIVE QUALITIES
A capacity for contacting people and exploring anything new. An ability to respond to challenge and identify opportunities good sense of timing

ALLOWABLE WEAKNESSES
Liable to lose interest once the initial fascination has passed.

Company Worker/Implementer

Typical Features
Conservative, disciplined, dutiful, predictable, tough minded, trusting, tolerant.
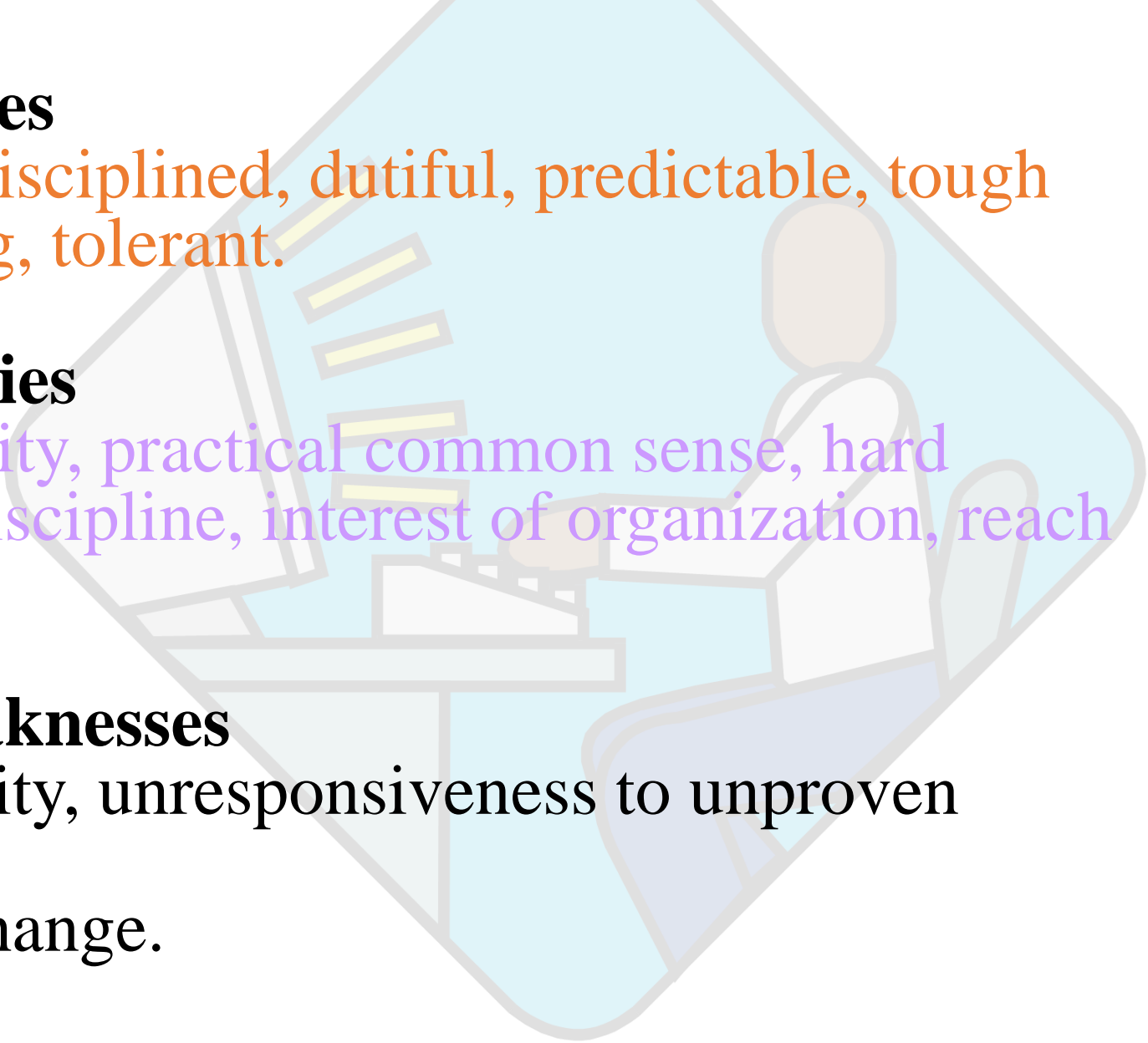
Positive Qualities
Organising-ability, practical common sense, hard working, self-discipline, interest of organization, reach to the top.

Allowable Weaknesses
Lack of flexibility, unresponsiveness to unproven ideas.
Resistance to change.

MONITOR EVALUATOR

Typical features

Sober, unemotional, serious minded, shrewd

Positive Qualities

Judgement, discretion, hard-headedness

Allowable Weaknesses

Lacks inspiration or the ability to motivate others. Boring/Dry appear slow in decision making.

TEAM MAN

Typical Features
Socially oriented, rather mild, sensitive, understanding, humble, trusting.

Positive Qualities
Good listener, group morale.
An ability to respond to people and to situations and to promote team spirit

Allowable Weaknesses
Indecisiveness at the moments of crisis.

Completer / Finisher

TYPICAL FEATURES
Painstaking, orderly, conscientious, anxious, self control & disciplined.

POSITIVE QUALITIES
A capacity for follow through perfectionism. A tendency to worry about small things. A reluctance to let go.

A Winning Team -
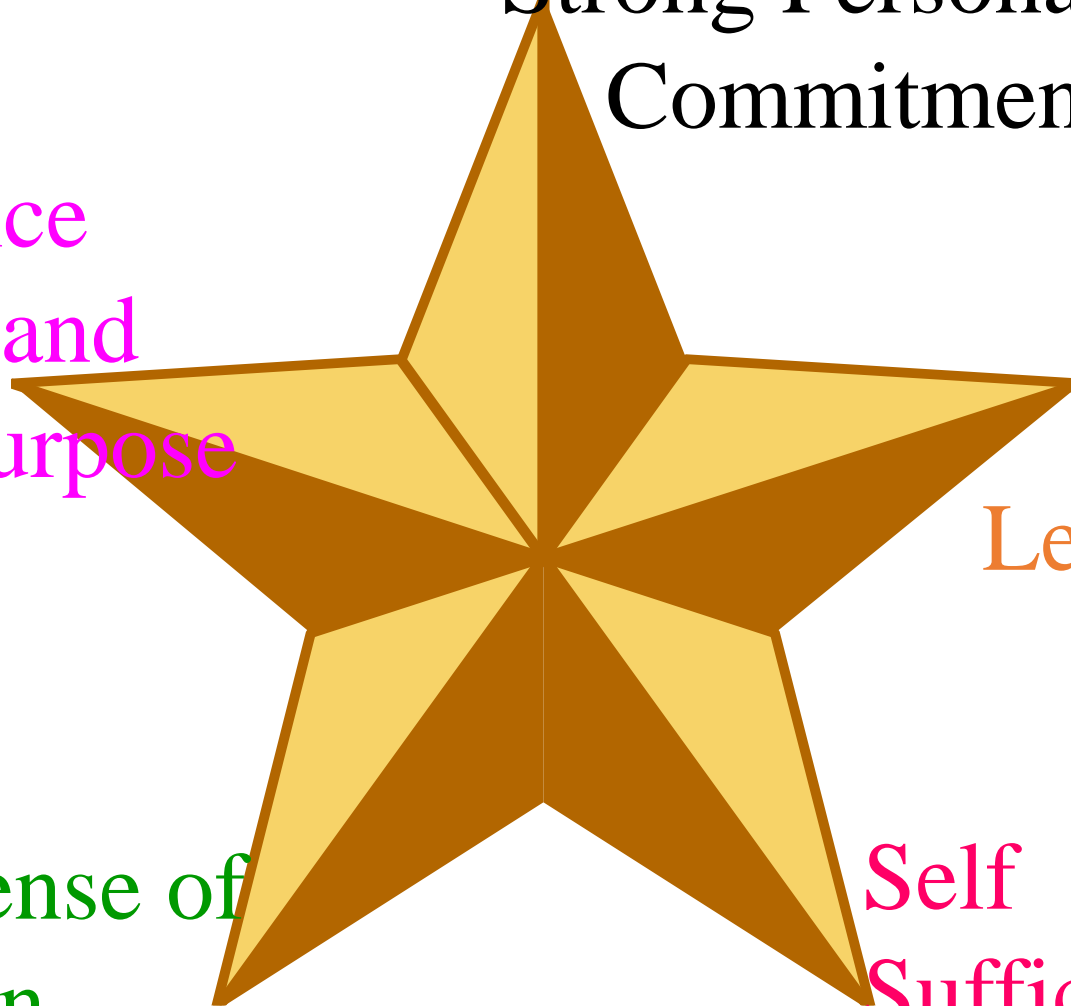## *Requirement*

Strong Personal Commitment

Performance ambitions and sense of purpose

Shared Leadership

Sense of fun

Self Sufficient

Lessons From The Geese

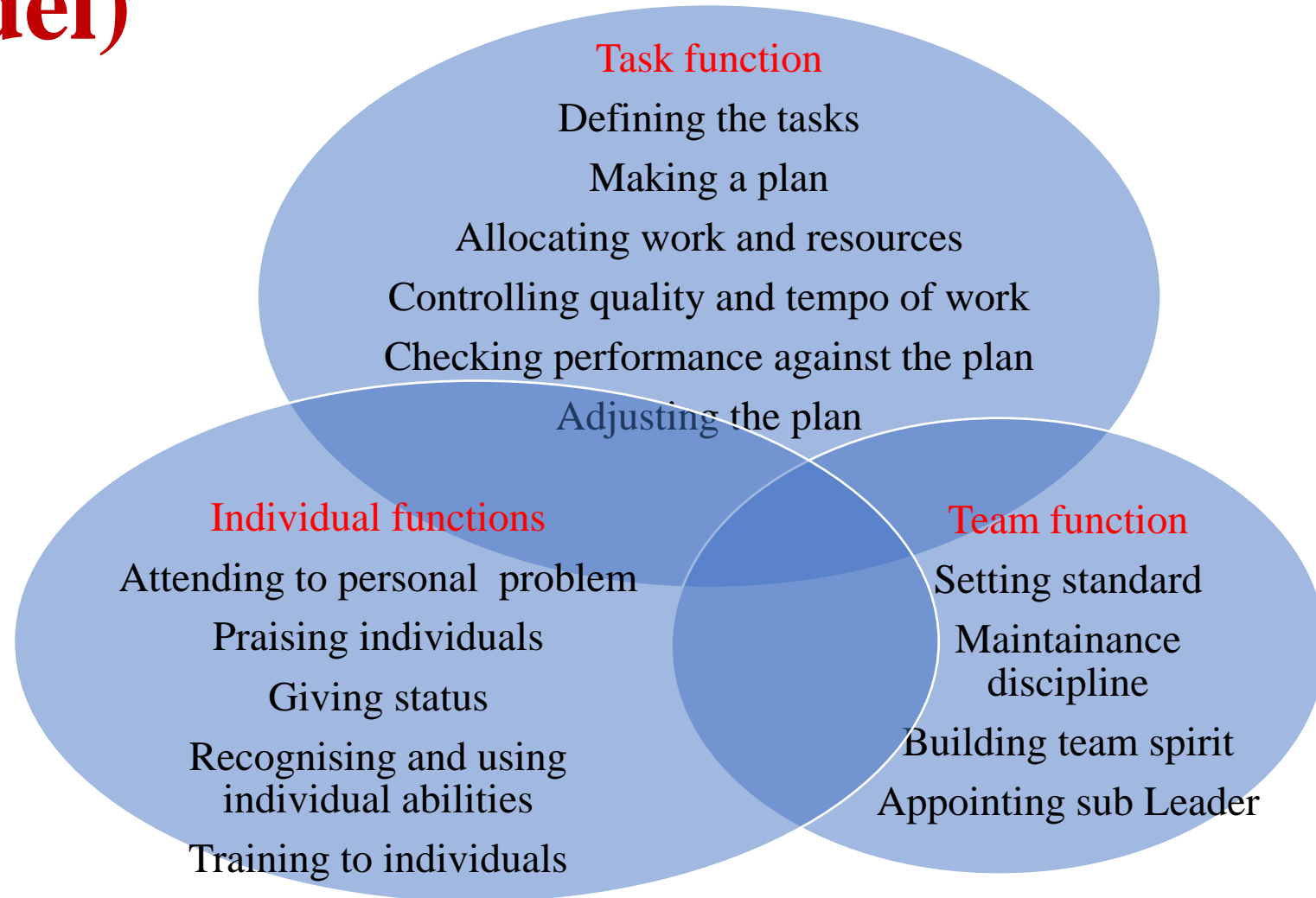Notice how the geese fly on their long
flight of migration …

Leadership

What is Leadership? : Influencing people directing towards the goal.

Leadership is concerned with people and helping them to have a purpose and striving to achieve it.

Who is Leader? A Leader shares power with others, controls processes, confers freedom of action and demand performance.

Leadership Function (Adair Model)

Task function

Defining the tasks

Making a plan

Allocating work and resources

Controlling quality and tempo of work

Checking performance against the plan

Adjusting the plan

Individual functions

Attending to personal problem

Praising individuals

Giving status

Recognising and using individual abilities

Training to individuals

Team function

Setting standard

Maintainance discipline

Building team spirit

Appointing sub Leader

Types of Leadership

Autocratic/authoritative
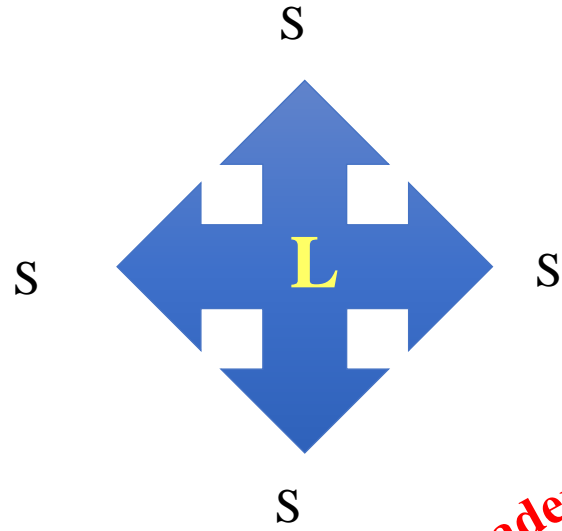
Democratic/ Participative

Free Rein: Free control
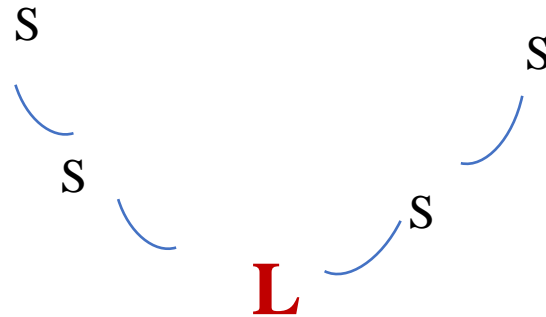
Leadership

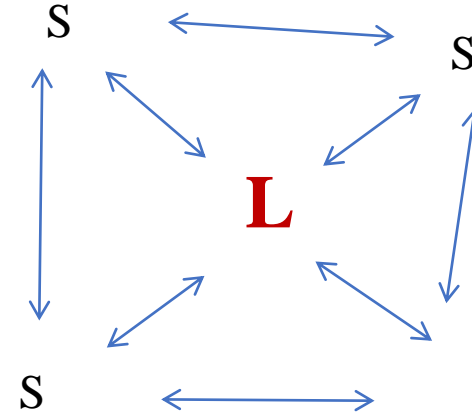# Changing pattern of leader-subordinate relationship

Use of authority by **leader**

Area of Freedom for **subordinate**

Tells

Sells

Consult

Shares

Delegates

Makes decision and announces it

Makes decision and explains it

Get suggestion then makes decision

Define limits and lets group make decision

Allowed subordinate to function with defined limits
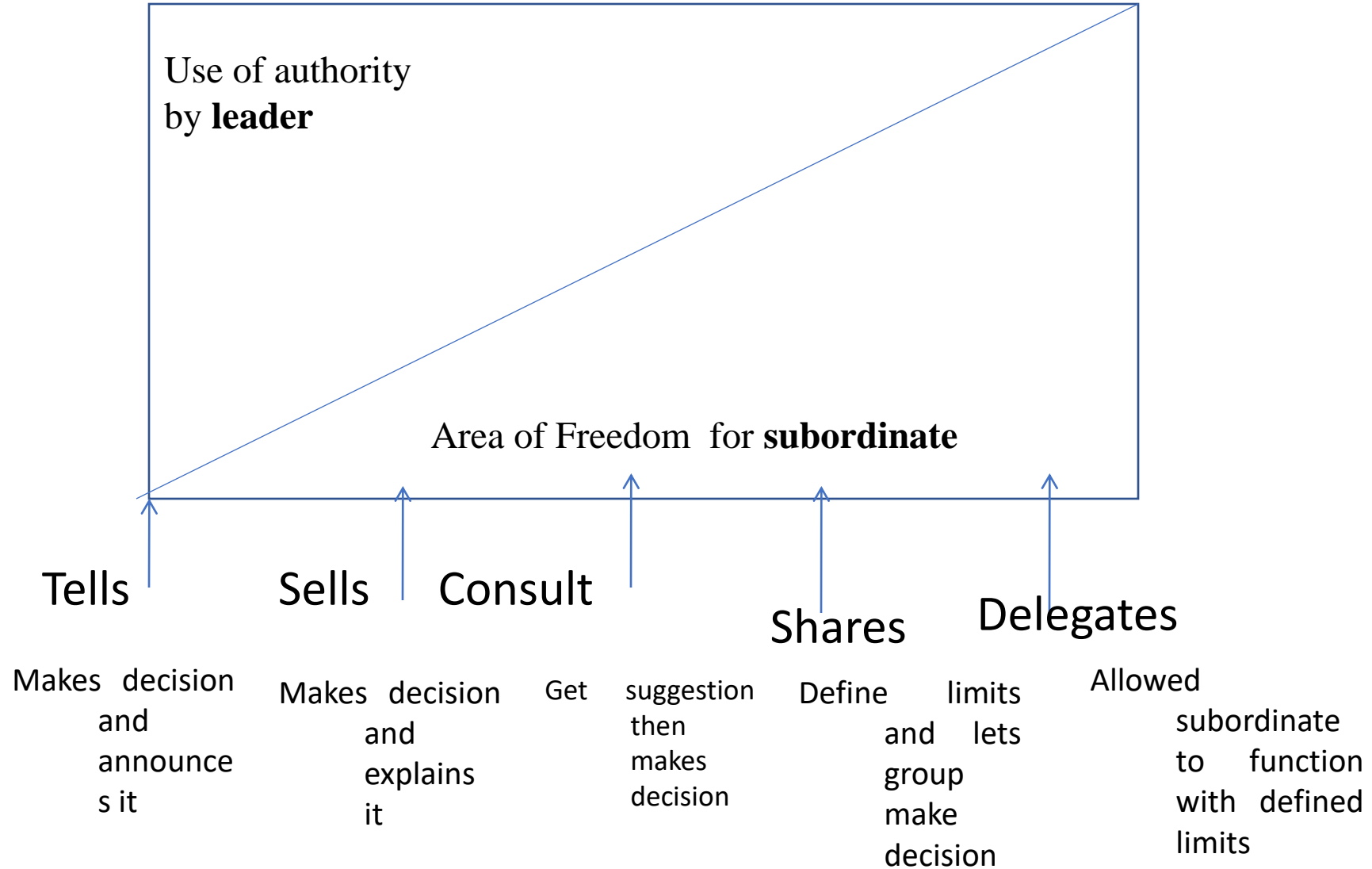
TRAITS of Leaders

- ✓ Honesty
- ✓ Competence
- ✓ Credibility
- ✓ Inspiring
- ✓ Courageous
- ✓ Forward Looking

REWARDS

GOAL

SUPPORTIVE PEERS

ENCOURAGEMENT

MOTIVATION

FRIENDLY ENVIRONMENT

OPPORTUNITY

CHALLENGE

DETERMINATION

What is motivation?

The term 'motivation' can be used to describe anything which causes people to accomplish more than they would otherwise achieve.

FUNDAMENTALS OF MOTIVATION

- Motivation is highly individualized phenomenon.

- Motivation is situational and role related phenomenon

- Motivation has something to do with subordinates, but nothing to do with superior.

THE REWARD SYSTEM FOR MOTIVATION

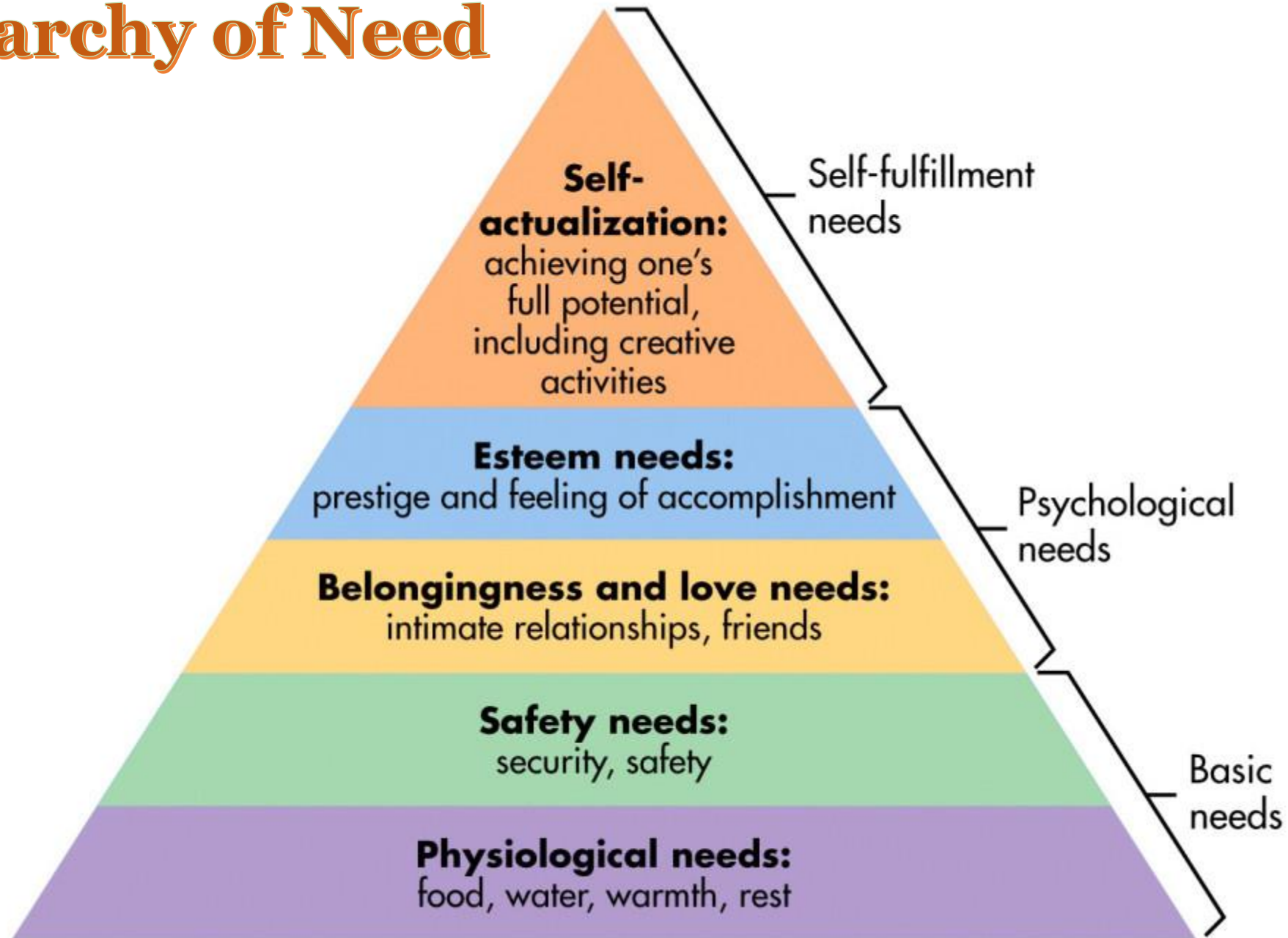- TOTALITY OF ECONOMIC AND NON ECONOMIC COMPENSATION THE ORGANISATION OFFERS ITS EMPLOYEES.

It Serves:

- To attract

- To retain

- Motivate employees

- Maintain employee morale

- Prepare employees for greater responsibilities

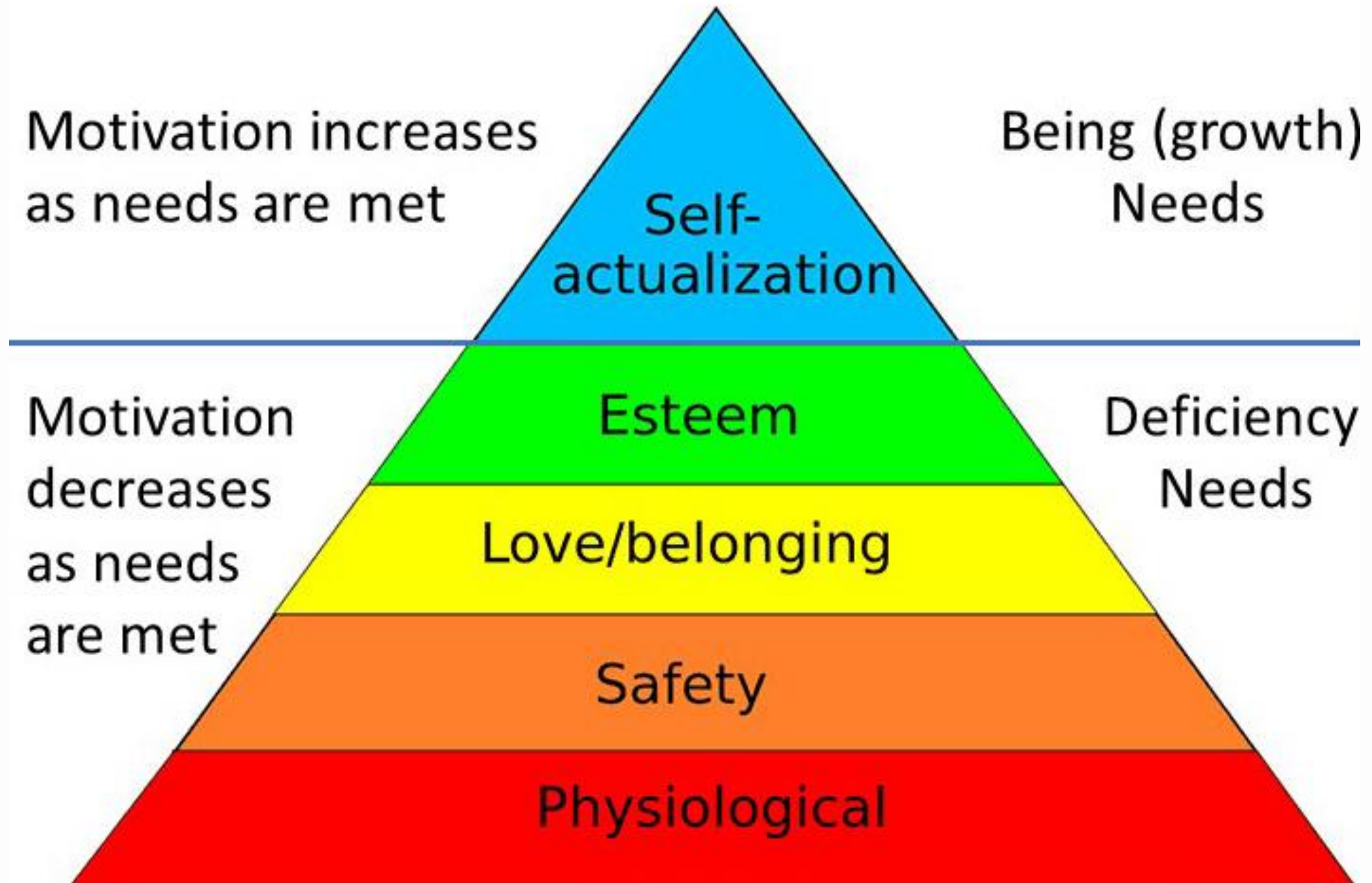# Maslow's Hierarchy of Need

Deficiency needs vs. growth needs

Motivation increases as needs are met

Being (growth) Needs

Self-actualization

Esteem

Motivation decreases as needs are met

Deficiency Needs

Love/belonging

Safety

Physiological

Herzberg's –Motivation- Hygiene Theory

Two Factor Theory of Motivation

Motivators

Achievement
Recognition
The work itself
Responsibility
Advancement
Growth

Hygiene Factors

Company policies
Supervision
Relationships
Work conditions
Remuneration
Salary
Security

Satisfying factor

============

Motivation

Dissatisfying factors

==========

Hygiene

The Four States

•Hygiene Stressors Eliminator

•Rectify petty and bureaucratic company policies.

•Ensure each team member feels supported without feeling micromanaged. You can do this by using servant leadership or a democratic leadership style.

•Ensure the day to day working culture is supportive. No bullying. No cliques. Everyone treated with equal respect.

•Ensure that salaries are competitive within the industry. Ensure there are no major salary disparities between employees doing similar jobs.

•To increase job satisfaction and status, aim to construct jobs in such a way that each team member finds their job meaningful.

Intelligence

Emotional Intelligence

	Intrapersonal	Interpersonal
Emotions	SELF AWARENESS	SOCIAL AWARENESS
Behaviours	SELF MANAGEMENT	RELATIONSHIP MANAGEMENT
Work	SELF PERFORMANCE	PEOPLE'S PERFORMANCE
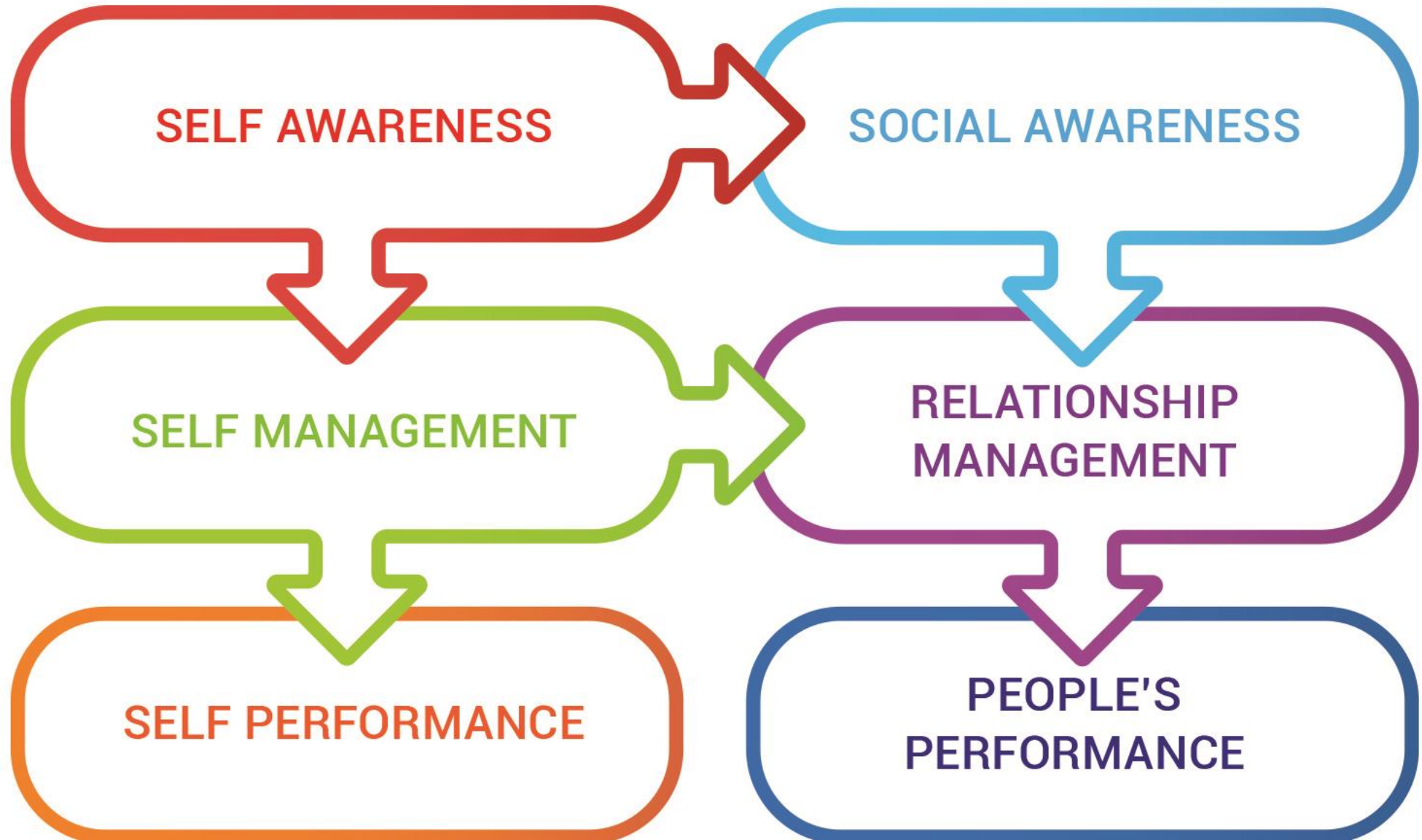
Personality Type

Type A	Type B
Very restless, Can do Immediately, Need result Immediately	Very steady, Do with thinking & slowly. For result there is no hurry
It is good or bad but situation dependent	It is also good or bad but situation dependent

Personality Control Locus

Internal Locus of Control of Personality	External Locus of Control of Personality
Always find mistake of own:	Mistake is of other always, Don't look the mistakes of own. Question was tuff for that result is poor
Can be controlled by own self	Can not be controlled by own
Developmental as can check	Detrimental as can not be checked

Constituents of Emotional Intelligence

According to Daniel Goleman, there are five main elements of emotional intelligence:

- Self-awareness
- Self-regulation
- Motivation
- Empathy
- Social skills

Constituents of Emotional Intelligence

✓ **Self-awareness**: The ability to recognize & understand own moods, emotions and drives.

✓ **Self Regulation**: The ability to manage one's own emotions and impulses

Leaders who regulate themselves effectively rarely verbally attack others, make rushed or emotional decisions, stereotype people, or compromise their values. Self-regulation is all about staying in control.

Constituents of Emotional Intelligence

✓**Motivation**: Self-motivated leaders work consistently toward their goals, and they have extremely high standards for the quality of their work. They also have the ability to persist in the time of failure. They have the strong desired to achieve and also have organizational commitment.

✓ **Empathy:** The ability to understand the emotions, feelings & need of others. Skill in treating people according to their emotional need

Constituents of Emotional Intelligence

✓**Social skills:** Proficiency in managing the relationship & building network. An ability to find common ground & build rapport.

 Hallmark of social skills:

- Effective Communication,

- Listening ability,

- Persuasiveness & conflict management,

- Expertise in team building

HIGH EIQ		LOW EIQ
Assertive Ambitious Driving Strong-Willed Decisive	**D**	Aggressive Demanding Egotistical Bossy Confrontational
Warm Enthusiastic Sociable Charming Persuasive	**I**	Easily Distracted Glib Selfish Poor Listener Impulsive
Patient Stable Predictable Consistent Good Listener	**S**	Resistant to Change Passive Un-Responsive Slow Stubborn
Detailed Careful Meticulous Systematic Neat	**C**	Critical Picky Fussy Hard to Please Perfectionist

Thank You