

Chapter 4

Motivation for Entrepreneurship

4.1. DESIGN THINKING

4.1.1. Introduction

Design thinking, a human-centred approach utilised by many of today's most creative and competitive organisations, helps teams from various industries and backgrounds produce the innovative solutions needed to compete in today's dynamic world of work. In the simplest of terms, design thinking is an exploratory approach to problem solving that includes and balances both analytical and creative thought processes. It consists of using ethnographic methods, such as observation, to come up with new ways of solving problems. Although design thinking has a relatively long history in the sciences, design, and architecture, it has only recently come to prominence in management and entrepreneurship education. Now, though, some scholars are calling for the integration of design thinking in business schools' curricula.

Design thinking is an iterative, exploratory process involving visualisation, experimenting, creating, and prototyping of models, and then gathering feedback. It is an approach for dealing with complex, ill-defined problems that is construed as a cognitive style, a process, or a resource. As a cognitive style, design thinking refers to how people conceive their world and take action to improve it. In doing so, they may be creative, generating ideas that are totally new or improving existing ones.

As a process, design thinking is a methodology by which individuals generate new ideas or reformulate older ones to tackle complex and ill-structured problems. It is, then, a problem-solving methodology. After all, entrepreneurs create and exploit opportunities to solve problems. As a resource, design thinking can be considered as a tool that organisations use to improve their performance. Several companies such as Pepsico, are using it to spur innovation and better address their customers' needs. Using assumptions of the creation theory of entrepreneurship, design thinking can be used by entrepreneurs to create new business opportunities. An example of the result of design thinking is Apple's iPod.

4.1.2. Principles of Design Thinking

The following can be considered as the principles of design thinking:

- 1) Explore the problem from many different perspectives and determine whether you are actually focusing on the right problem. The problem will probably need to be reframed several times during the process.
- 2) Qualify and assess ideas for solutions continuously with potential users, customers and other relevant stakeholders.
- 3) Work with visual and tactile representations of knowledge and ideas.
- 4) Build prototypes and use them to communicate and test your ideas for solutions with relevant stakeholders.
- 5) Be curious and seek out new insights that might change your ideas and set off new directions for your project.

4.1.3. Design Thinking Process

Given design thinking's adaptable, flowing nature, no one can truly say with strong conviction, "This is the way design thinking happens." There are defined phases in the approach that serve as excellent signposts indicating you are making progress. However, the work that happens within each phase can vary wildly depending on the challenge at hand.

Phase I: Understand: Understanding your business challenge is imperative to identifying and creating a solution, and the degree of understanding goes well beyond that of conjecture or your previous history with challenges of a similar nature.

Phase II: Define: Once you understand the challenge at a level of detail that reveals subtle nuances you likely would have missed without taking the time to develop that understanding, you can clearly define in specific terms what the challenge is and why it needs to be addressed.

Phase III: Ideate: Now that the challenge is defined and you know what problem needs to be solved, you can unleash your creativity and begin imagining solutions. Ideation is by far the phase that everyone enjoys most, and because of that, many teams get bogged down here. Teams are also tempted to jump ahead to this phase, completely forgoing Understand and Define. Avoid both tendencies at all costs, or you very likely will generate a wealth of fantastic ideas that are not relevant to the challenge or go-off on fantastic tangents.

Phase IV: Prototype: Once you draw the ideation phase to a close, the next step is to cull through the idea inventory and select the cream of the crop. These are the ideas you will take into the prototype phase. Be judicious in your selection of ideas – specifically the quantity of them – because you will need to create a prototype of each one. As a good rule of thumb, you will want to plan on prototyping at least two or three ideas. Prototyping will start to give your ideas depth, so you can get an impression of how they will take form in reality. Prototypes are not always tangible items. It is just as important to prototype a service, experience, process, or other intangible.

Phase V: Test: Testing will help you save money during development and avoid potential disaster. This sounds dramatic, but it's true. Testing will keep you from committing resources to a project only to find out that you were on the wrong path. The upside is that testing does not have to be complicated or expensive.

4.1.4. Design Thinking – Driven Innovation

Design thinking driven-innovations, are helping businesses channel creativity, critical thinking, and empathy to produce human-centred designs. But for-profit businesses are not the only ones benefiting from the design thinking framework. Non-profit organisations around the globe are using design thinking to improve the welfare of society and address problems that plague the greater good. These organisations are “thinking big” with design thinking in order to help their communities and society more broadly.

Design thinking can help one innovate, by solving problems and creating solutions for people. As technology advances, the need to understand users becomes more important. Design thinkers continue to help businesses rethink and explore how we solve problems and create better experiences. There are many design thinking examples from the likes of AirBNB, Nike, Apple, Netflix and Google. All organisations who are now famous for placing design at the heart of their businesses.

Design thinking minimises the uncertainty and risk of innovation by engaging customers or users through a series of prototypes to learn, test, and refine concepts. Design thinkers rely on customer insights gained from real-world experiments, not just historical data or market research.

The five practices that enable innovation include:

- 1) The development of a deep empathic understanding of user needs and context;
- 2) The formation of heterogeneous teams;
- 3) Dialogue-based conversations;
- 4) The generation of multiple solutions winnowed through experimentation; and
- 5) The use of a structured and facilitated process.

4.1.5. Importance of Design Thinking

Importance of design thinking is as follows:

- 1) With a bottom-up approach the design based on design thinking starts from the need of the end-user, to build a solution (technological or process) really valuable for him.
- 2) End-user is strongly engaged, who feels involved right from the design side: a way for companies to enhance their employees and “take them on board” of the challenge they are facing;
- 3) An iterative approach in the design phase allows to test the solution proposals and modify them until reaching the most suitable solution before proceeding with the actual implementation;
- 4) Facilitates the dissemination and growth of an innovative culture within the company.

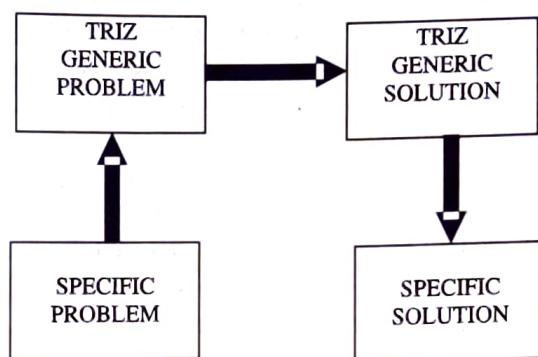
4.2. TRIZ (THEORY OF INVENTIVE PROBLEM SOLVING)

4.2.1. Introduction

TRIZ is the Russian acronym for the “Theory of Inventive Problem Solving”. It is an international system of creativity developed in the U.S.S.R. between 1946 and 1985, by engineer and scientist Genrich S. Altshuller and his colleagues. According to TRIZ, universal principles of creativity form the basis of innovation.

TRIZ identifies and codifies these principles, and uses them to make the creative process more predictable. In other words, whatever problem one is facing, somebody, somewhere, has already solved it (or one very like it). Creative problem solving involves finding that solution and adapting it to the current problem. TRIZ is most useful in roles such as product development, design engineering, and process management. **For example**, Six Sigma quality improvement processes often make use of TRIZ.

The algorithm of TRIZ can be written in the following four steps:



This methodology plays an important role when the whole or parts of an organization are constantly required to innovate for creating value to customers.

4.2.2. Development of TRIZ

The genius of Altshuller and his successors was to recognise that the place to look for the basics of invention and new ideas was not in the brains of inventors, but where the inventions were collected and recognised – the patent office. As a patent examiner, he saw thousands of disclosures and granted patents come through his office from a broad range of technical fields and his genius was to recognise that, when the inventions were generalised, there were only a limited number of inventive principles being used. This was not recognised by the individual inventors or their industries due to the use of particular jargon and terminology of that particular area of science or technology.

Altshuller categorised these inventive principles in several retrievable forms, including a contradiction table, 40 Inventive Principles, and 76 Standard Solutions. The advent of modern computers has allowed these tools to be stored and used in user friendly formats. What he invented was a “left brained” creativity and innovation tool that used inventive principles from all fields of science and technology – as if one had invited all of the world’s inventors into the brainstorming session with a group.

4.2.3. Pillars of TRIZ

Following are the four pillars of TRIZ:

- 1) **Contradictions:** TRIZ researchers have identified the fact that the world’s strongest inventions have emerged from situations in which the inventor has successfully sought to avoid the conventional trade-offs that most designers take for granted. More importantly they have offered systematic tools through which problem solvers can tap into and use the strategies employed by such inventors. The most commonly applied tool in this regard is the Contradiction Matrix – a 39 x 39 matrix containing the three or four most likely strategies for solving design problems involving the 1482 most common contradiction types. Probably the most important philosophical aspect of the contradiction part of TRIZ is that, given there are ways of ‘eliminating’ contradictions, designers should actively look for them during the design process.

- 2) **Ideality:** While studying the patent database, TRIZ founder Genrich Altshuller identified a trend in which systems always evolve towards increasing ‘ideality’ and that this evolution process takes place through a series of evolutionary S-curve characteristics. A key finding of TRIZ is that the steps denoting a shift from one S-curve to the next are predictable. A number of underlying technology evolution trends consistent with the ideality concept have been identified during the course of research on the global patent database. Used as a problem definition tool, the ideality part of TRIZ encourages problem solvers to break out of the traditional ‘start from the current situation’ type of thinking, and start instead from what is described as the Ideal Final Result (IFR). The simple definition of IFR is that the solution contains all of the benefits and none of the costs or ‘harms’ (environmental impact, adverse side-effects, etc.).
- 3) **Functionality:** Although the functionality aspects of TRIZ owe a significant debt to the pioneering work on Value Engineering, the method of defining and using functionality data is markedly different; sufficient at the very least to merit discussion as a distinct paradigm shift in thinking relative to traditional occidental thought processes.
- 4) **Use of Resources:** The Resources part of TRIZ relates to the unprecedented emphasis placed on the maximisation of use of everything contained within a system. In TRIZ terms, a resource is anything in the system which is not being used to its maximum potential. TRIZ demands an aggressive and seemingly relentless pursuit of things in (and around) a system which are not being used to their absolute maximum potential.
- 5) **Thinking in Space and Time:** While not strictly speaking a TRIZ development; TRIZ researchers have also recognised the enormous importance of thinking about situations from all angles. Experienced TRIZ users are continuously changing their perspective on problems – zooming in to look at the fine details, zooming out to see the bigger picture, and thinking about how the situation is affected by changing time – whether that be nanoseconds or decades – in both the past and future. This is not a natural process for most people – our brains are not wired that way – and so TRIZ contains tools to help in the process of thinking in TIME and SPACE.

4.2.4. TRIZ Inventive Principles

In reviewing the thousands of patents, Altshuller distinguished between incremental/“routine” inventions vs. truly breakthrough inventions. These were the inventions he reviewed to determine his 40 Inventive Principles. It turned out that these breakthrough inventions invariably resolved a significant operational or design contradiction. These 40 Inventive Principles are available in a number of public sources and publications and are constantly updated, reviewed, and extended to application to many fields (management, food, social) beyond the original applications in engineering and technology, clearly demonstrating their robustness. These are as follows:

- 1) **Segmentation:** Segment the product into independent parts as a result of which a useful or damaging quality is isolated (shop in shop).
- 2) **Extraction:** Extract a disturbing part or property from an object and/or single out the only necessary part or property (sugar free biscuits).
- 3) **Local Quality:** By changing the structure of products in a specific place, the desired product is created (cap on milk carton).
- 4) **Asymmetry:** Change the shape of an object from symmetrical to asymmetrical (trendy kettle).
- 5) **Merging:** By merging functions, properties or parts of a product in space or time, a new or unique result is created (day cream with UV filters).
- 6) **Universality:** Make a product more uniform, universal, extensive and multi-functional (hair-dryer).
- 7) **Nested Doll:** Place multiple objects inside others (paper insulated coffee cups).
- 8) **Counterweight:** Compensate the negative property of the product by combining it with another object that provides a lifting force (hovercraft).
- 9) **Preliminary Counteraction:** Analyse beforehand what can go wrong and take preliminary counteraction (sun milk).
- 10) **Preliminary Action:** Place object before it is needed so that it can go into action immediately from the most convenient location for their delivery (Emla numbing cream).
- 11) **Cushion in Advance:** Because nothing is perfectly reliable, prepare emergency measures in advance (metallic car coating – anti-contamination).
- 12) **Equipotentiality:** Eliminate tension in or around an object’s environment (cling film).
- 13) **The Other Way Round:** Implement an opposite or reverse action (reversible clothing).
- 14) **Spheroidality:** Replace linear parts with spherical parts (round brush head for hoover).

- 15) **Dynamics:** Make a product or property temporarily flexible or flexible for a short while (possibility to buy a car with unique stripes).
- 16) **Partial or Excessive Actions:** Use a little more than necessary or use a little less of the same product (high active enzymes in laundry detergents).
- 17) **Transition into Another Dimension:** Change the orientation of a linear product from vertical to horizontal etc. Use a different dimension or multi-storey arrangement (layered cake).
- 18) **Mechanical Vibrations:** Use vibrations to achieve a positive effect (massage cushion).
- 19) **Periodic Action:** Instead of continuous actions use periodical or pulsating actions (electric toothbrush).
- 20) **Continuity:** Carry on work continuously and eliminate all idle or intermittent actions (boarding pass such as e-tickets).
- 21) **Rushing Through:** Conduct a process at high speed to prevent errors (DSL internet versus fibre optic internet).
- 22) **Blessing in Disguise:** Use harmful factors to add value. (3M yellow post-its with low tack adhesive).
- 23) **Feedback:** Introduce feedback by using output as a means of input, output audits can be improved (telephone number of service desk on packaging).
- 24) **Intermediary:** Merge one object temporarily with another (oven bag for cooking chicken).
- 25) **Self-service:** Make an object serve itself by performing auxiliary helpful functions (self-checkout at supermarkets).
- 26) **Copying:** Instead of a valuable or fragile object, use inexpensive copies (zirconia jewellery).
- 27) **Cheap Objects:** Use inexpensive and/or disposable objects to reduce costs (disposable cutlery).
- 28) **Replace Mechanical System:** Replace a mechanical system with a different shape, action or function (folding electric bikes).
- 29) **Pneumatics and Hydraulics:** Replace solid parts of an object with pneumatic (air) or hydraulic (water) parts (barber chair).
- 30) **Flexible Shells:** Replace traditional constructions with flexible shells (water repellent, breathable sports clothing).
- 31) **Porous Materials:** Make properties of objects, systems or materials porous (read-to-use iodine band-aid).
- 32) **Colour Changes:** Change the colour or other optical property of an object (Polaroid sunglasses).
- 33) **Homogeneity:** Make objects interact with a given object with identical properties (two-component adhesive).
- 34) **Discarding and Recovering:** By making objects or parts of objects that have fulfilled their usefulness go away and by subsequently restoring them, they can be reused.(reusable make-up packaging)
- 35) **Parameter Changes:** Change the properties of an object (steam shower).
- 36) **Phase Transitions:** Use phenomena occurring during chemical phase transitions (pregnancy test).
- 37) **Thermal Expansion:** Convert heat energy to mechanical energy (solar panels).
- 38) **Strong Oxidants:** Reinforce oxidative processes to enhance a function or process (cryotherapy for warts).
- 39) **Inert Atmosphere:** Replace a neutral environment to support a desired function (vacuum wine saver pump).
- 40) **Composite Materials:** Change from homogeneous to composite materials (thermos flask).

4.2.5. Steps of TRIZ

This adapted method simplifies the use of TRIZ main tools, ARIZ and Contradiction Matrix, as follows:

- 1) **Define the Problem:** This step identifies the operational environment, the project requirements, the main functions, and also determines the Ideal Final Result (IFR).
- 2) **Model the Problem:** The problem shall be re-formulated according to the TRIZ approach, describing the project requirements as a set of technical contradictions.
- 3) **Analyse the Problem:** The technical contradictions shall be defined as a conflict between two of the 39 available engineering parameters.
- 4) **Solve the Problem:** The engineering parameters shall be used in the Contradiction Matrix to search inventive principles that suggest and guide to possible inventive solutions.
- 5) **Synthesis of the Solution:** The inventors shall use their creativity, technical knowledge and experience to adapt one or more inventive principles making possible to develop inventive solutions to reach the Ideal Final Result (IFR).

4.3. ENTREPRENEURIAL MOTIVATION

4.3.1. Introduction

The word 'motivation' has originated from the term 'motive' which relates to wants, needs, impulses and drives within a person. Motivation refers to the process of inspiring people for doing tasks and achieving goals and desires. Motivation is a psychological occurrence that originates from the wants and needs of people. It initiates a goal-oriented behaviour.

According to Stephen P. Robbins, "Motivation is the process that accounts for an individual's intensity, direction, and persistence of efforts towards attaining a goal".

According to Dalton E. McFarland, "Motivation refers to the way in which urges, drives, desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings".

Entrepreneurial motivation is a process of motivating an entrepreneur to apply higher level of efforts for the achievement of entrepreneurial goals. It is the drive within an entrepreneur that affects the direction, persistence and intensity of 'voluntary behaviour as an entrepreneur'. In order to become motivated, an entrepreneur must identify and fulfil his needs, desires and ambitions. Once the entrepreneurs are satisfied, they can efficiently work towards fulfilment of organisational goals. In the entire entrepreneurship development program package, training is regarded as the most crucial and integrated element. It is very important for the development of entrepreneurial motivation and competency. However, attaining entrepreneurial motivation through training is a complex process.

The findings of **David McClelland** reflect that:

- 1) Motives can be acquired by individuals and can be developed through appropriate training and education.
- 2) New stimulated motives are highly expected to influence future thoughts and actions.

Gartner, Bird and Starr have defined entrepreneurial motivation as the force within a person that stimulates an emerging entrepreneur to grow and expand his venture.

4.3.2. Factors Motivating Entrepreneurs

The emergence of entrepreneurs was marked in the human civilisation era, when individuals used to have their own independent businesses and the same trend is still being followed. From the last few decades, entrepreneurs are considered as the value givers as they contribute towards the overall development of the society. There are three main factors which motivate the entrepreneurs to start their businesses. These factors are discussed below:

- 1) **Compelling Factors:** Often, the individuals are forced to become entrepreneurs. Therefore, it is viewed as a compulsion rather than their own ambitions. Compelling factors leave no other choice for an individual which directs them towards entrepreneurship. Some the compelling factors are as follows:
 - i) **Unemployment:** Unemployment is the main reason for individuals to adopt entrepreneurship. This is one of those compelling factors where becoming an entrepreneur is the first and last option for a person.
 - ii) **Make Use of Idle Funds:** Being an entrepreneur, one can effectively utilise his idle funds. It can be used to set-up a new venture.
 - iii) **Make Use of Technical/Professional Skills:** Instead of working for others who do not recognise the technical or professional abilities of a person, individuals prefer to become entrepreneurs. This acts as one of the compelling factors as it helps them to exploit their technical and professional skills.
 - iv) **Family Circumstances:** Many times, the family circumstances force the individuals to choose entrepreneurship as their profession.
- 2) **Facilitating Factors:** These factors facilitate the individuals to utilise their idle resources and easily start a particular business.
Hence, they are known as facilitating factors. These factors are as follows:
 - i) **Acquired Experience:** The experience and skills of an individual facilitate him to become an entrepreneur. By doing so, an entrepreneur can earn profit by effectively utilising his skills and experience for oneself.
 - ii) **Moral Support:** Sometimes, a person may face problems in commencing his own business, and having material support from friends and family is not just enough. At that time, moral support is the most significant need, which facilitates a person to become an entrepreneur.

- iii) **Influence of Success Stories:** Many individuals get highly motivated by the success stories of various entrepreneurs. This is one of the important factors to start one's own business.
 - iv) **Availability of Finance and Especially Risk Capital:** The required finance and risk capital for start-up ventures is readily available to individuals in form of grants and subsidies. This acts as a motivator for individuals to become entrepreneurs.
- 3) **Ambitions Factors:** Often it is the internal drive and ambitions that motivate the individuals to start their own businesses. Following are some of the ambitions factors:
- i) **To Make Money:** The ambition to earn money and make profits is one of the major factors that stimulate individuals towards entrepreneurship. It may also include the desire to innovate something new or to transform a concept into reality.
 - ii) **To Secure Self-Employment/Independent Living:** In order to secure self-employment and independency, many individuals start their own business.
 - iii) **To Gain Social Prestige:** There are some people who establish a business enterprise to gain social prestige and recognition.
 - iv) **Desire to be Creative:** A desire to be different from others and to create something new is the characteristic of a successful entrepreneur. He is never satisfied with his performance and is always ready to learn new things.

4.3.3. Theories of Motivation

Nowadays, most of the organisations make use of different motivational methods and programmes to motivate the employees. The availability of numerous motivational models and strategies has provided various alternatives to the organisations that can be experimented by them to motivate their workers. Motivational theories can be classified as follows:

- 1) **Content Theories:** Every employee, working in any organisation, has certain needs and goals that he wants to achieve. He has a certain degree of strength to achieve those goals that can satisfy his needs. These factors motivate an employee to work harder at his job. Some of the well-known motivational content theories are **Maslow's Need Hierarchy**, **Herzberg's Motivation Hygiene Theory**, and **Alderfer's ERG Theory**. According to content theories, there is always one best motivating technique that can commonly be used for all the employees. The content theories mainly focus on the need of the employees and their motivating factors. Thus, these theories are very useful for the managers because by using them managers can motivate the workers accordingly and thereby, increase the organisational productivity.
- 2) **Process Theories:** Unlike content motivational theories, process theories such as **Vroom's Expectancy Theory**, **Equity Theory**, **Porter and Lawler Model**, etc., focus on determining the way by which motivation process takes place in the employees. In simple words, these theories explain the entire process, which an employee follows in order to satisfy his needs. This process includes his commencement, his sustainability and the way he directs his behaviour to minimise his inner stress and reach the desired goal. Rather than emphasising on the needs of the employees, process theories emphasises on the goals and the methods by which employees can be motivated to achieve these goals. Identification of internal factors influencing the motivation process of an individual is the main target of these theories. According to these theories, motivation is entirely based on the thinking, outlook and ideology of an individual and thus, motivation is considered as a cognitive process.
- 3) **Other Theories:** Apart from these theories, there are several other theories like **McGregor's theory X and Y**, **goal-setting theory**, etc.

4.3.4. Maslow's Need Theory

Human beings have categorised their needs into two types – first one is basic (primary) needs, which are essential for the survival of the human beings and second one is acquired (secondary) needs, which are less important as compared to basic needs. Though there are numerous needs or desires, but which one should be given priority is the important question. So, this question was answered by **Abraham Harold Maslow** through his theory which represents a hierarchy of needs. Need hierarchy theory mainly emphasised on following points:

- 1) Human beings are those animals whose desires never end. They always need some or the other things to satisfy themselves.
- 2) Once a need is satisfied, it stops motivating an individual further.
- 3) Depending upon the importance, needs have a certain order.

According to Maslow, need hierarchy has following sequence:

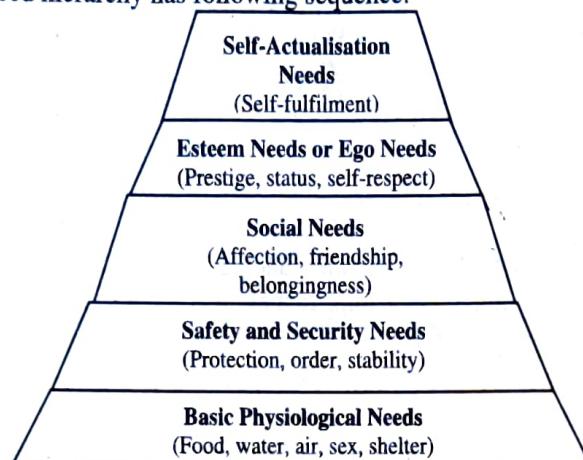


Figure 4.1: Maslow's Need Hierarchy Theory

- 1) **Basic Physiological Needs:** Basic requirements of an individual such as food, shelter, clothing, air, water, etc., are considered as basic physiological needs. Since these needs are essential for the survival and sustainability of human beings, hence, these needs are prioritised and placed at the initial stage of the Maslow's need hierarchy theory.
- 2) **Safety and Security Needs:** After the fulfilment of basic needs, human beings expect safety and security of themselves as well as of their family. These securities are in the form of job security, insurance (life insurance, vehicle insurance, etc.), old age security (pension, retirement fund, etc.), and security of income. In simple words, an individual requires an assurance in order to maintain his standard of living.
- 3) **Social Needs:** Social need is a kind of cognitive requirement of human beings. When this need is not met, it creates a lot of imbalance in the mind of an individual which adversely affects his health. Since man lives in a society, he socialises himself by interacting with other people, share his feelings with others, making friends, etc. That is why, it is said that the community and culture of an individual reflect his identity.
- 4) **Esteem Needs or Ego Needs:** Egoistic needs are of two types, i.e., internal and external. Self-confidence, self-motivation, skills, abilities, competency, etc., are some of the factors that are based on internal egoistic needs and are earned after an immense hard work by an individual. Individuals having inward esteem needs always receive 'earned gratitude' by the society. External egoistic needs focus on building goodwill and status of an individual that is earned by achieving some higher position or if the individual becomes financially, socially and politically powerful.
- 5) **Self-Actualisation Needs:** It is a stage of self-fulfilment in which people realise their highest potential for self-development in a unique or creative way. In simple words, these needs are considered as aim of an individual's life. Once all the needs of an individual are met, he searches out for personal achievement that gives mental satisfaction to him. Individual having the need for achievement wants to become better than others, takes challenging tasks in order to demonstrate his potential and becomes successful which not only satisfies him but benefits the society as well.

As per Maslow's need theory:

- 1) There exist five levels of human needs that he requires to satisfy.
- 2) These needs are organised according to their preferences, i.e., most important to least important.
- 3) Once a need is satisfied, it is no longer a motivator, and hence, the individual proceeds towards next need.
- 4) After the fulfilment of one need, the next stage of need evolves as a depressed need that an individual tries to satisfy.
- 5) Though the basic physiological needs and security needs are limited and can be satisfied easily but the other three needs are unlimited and have a great influence on the individuals working at senior levels.
- 6) All the five levels of Maslow's need theory are mutually dependent on each other as all of them have some common characteristics. An individual can move on to the next level of need, only after satisfying the previous need. Each level of need affects the behaviour of an individual that motivates him to move further.
- 7) The first two needs, i.e., basic and safety needs, are considered as **lower order needs** and remaining three, i.e., social, egoistic and self-actualisation needs, are considered as **higher order needs**.

4.3.5. Achievement Motivation Theory of Entrepreneurship – Theory of McClelland

David McClelland's theory of need achievement is one of the most significant theories of psychology. According to this theory, an individual can acquire his/her specific needs from the culture of a society by learning from past incidences and events that have occurred in his/her early life. When these needs are learned by a person, they are regarded as personal predispositions. These predispositions affect the way in which a person perceives his work or any other situation and this also impacts their unidentified goals. The needs that can be learned by people are classified as follows:

- 1) **Need of Achievement (nAch):** According to McClelland, need of achievement is defined as "behaviour toward competition with a standard of excellence". McClelland and his associates also stated four features of people having a high achievement need, which are as follows:
 - i) They prefer a work environment where they can assume personal responsibility for performing a task or problem-solving,
 - ii) They tend to set a level of moderate attainable goals and take calculated risks,
 - iii) They strongly desire for a concrete feedback on their performance, and
 - iv) They are focussed towards accomplishment of their task.

The need for achievement motivation highly contributes towards the success of entrepreneurial and economic growth. The mainstay behind the success of any organisation is achievement of motivated people.

- 2) **Need for Power (nPow):** The need for power is the concern for influencing other's behaviour, controlling the environment and being responsible. **McClelland** states that the following characteristics are reflected by an individual possessing a high nPow:
 - i) They want to influence and control others,
 - ii) They seek to have a position of status and authority,
 - iii) They are willing to confront others, and
 - iv) They like to build and maintain a leader-follower relationship.
- 3) **Need for Affiliation (nAff):** Need for affiliation (nAff), can be defined as an "attraction to another person in order to feel reassured from the other that the self is acceptable". Persons who possess a high need for affiliation, usually, have a desire to create and sustain warm and healthy relations with other persons. McClelland revealed that the following characteristics are reflected by an individual possessing nAff:
 - i) They seek close relationships with others,
 - ii) They enjoy social activities and seek to belong, for that they join groups and organisations,
 - iii) They tend to obey to the wishes and norms of others when pressured by people whose leadership they value, and
 - iv) They have sincere interest in the feelings of others.

According to McClelland, the major determinant of entrepreneurship development is a set of personality characteristics which are indicative of high need achievement. Here, "need achievement" is a social motive of an entrepreneur to become successful when supported by the cultural factors. As a result, high level of entrepreneurship development is expected within a society, if the average level of need achievement in a society is reasonably high. In earlier times, it was believed that parents play a significant role in upbringing their children to be independent and powerful, especially the mother. But, McClelland stated that need achievement is accustomed more by the social and cultural factors compared to parental support. For an entrepreneur to be successful, organisational climate must encourage high accomplishments. The manager must permit liberation to subordinate, increase the level of achievement need of subordinates to develop a suitable business environment, increase the responsibility and make the task more competitive.

4.3.5.1. McClelland's Experiments

For achieving higher performance, entrepreneurs must own certain qualities or capabilities. **David McClelland** a renowned behavioural scientist at Harvard University proved that, entrepreneurial competencies can be developed. He revealed the reason behind the introduction of creative work by particular societies at different time periods in the history. For this, 'the need for achievement' was the answer. According to him, 'the need to achieve' stimulated the people to work hard and money-making was relative. Money was just a tool to measure the level of achievement. In 1964, **McClelland** with his associates conducted a five year experimental study in Andhra Pradesh in association with Small Industries Extension and Training Institute (SIET) at Hyderabad.

As this experiment was conducted in Kakinada (an industrial town at Andhra Pradesh), it is popularly known as "Kakinada Experiment".

The main purpose of Kakinada experiment was to encourage achievement motivation by eliminating the obstacles having restricted aspirations. For conducting this experiment, 52 personnel were selected from industrial and business community. These persons were provided with orientation programmes at Small Industry Extension Training Institute (SIET), Hyderabad. All the personnel were divided into three batches and were placed under training for three months.

This training programme was developed to effectively enhance the imagination power of the trainees and to allow them to scrutinise their motivation level. Thus, following items were included in the syllabi of the programme:

- 1) Attainment of consistent and concrete feedback by the participants.
- 2) Participants want the models of achievement to follow.
- 3) Participants assume the success and set their objectives and processes accordingly.
- 4) Induce the participants to visualise and converse with each other in a positive manner.

After a period of two years, the outcome of training programme was witnessed on the behaviour of the participants. The results were positive and promising. By using Thematic Appreciation Test (TAT), need for achievement of the participants was evaluated.

This clearly showed that the performance of participants who attended the programme was better than those who did not attend the training programme. In a Thematic Appreciation Test, the participants were shown some images which were ambition related. After displaying the pictures, participants were asked to interpret and tell, what can be perceived from the picture, according to them. Subsequently, all the achievement-related themes were calculated and the final score was represented. This final score reflected an individual's need for achievement.

The Thematic Apperception Test (TAT) has been an effective tool in examining achievements. It has the potential to recognise and measure the motive of achievements. These experiments conclude that entrepreneurship cannot be developed instantly. It involves hard work from a very young age of an individual's life. Today, numerous experiments make use of Kakinada experiment for encouraging technical persons to start their own businesses. Many programmes in Gujarat and Andhra Pradesh have been successful in the same concern.

4.3.5.2. Importance of Achievement Motivation Theory

McClelland's theory of motivation has a broad perspective. He established achievement as a motive for motivation. He also stated that it is very important to develop achievement motive among the employees. For this purpose, one has to go through a properly devised and deliberate learning process. Some of the points that reflect the importance of this theory are:

- 1) McClelland's theory of motivation can be taught and achieved by learning. Thus, his theory is important.
- 2) Manager can raise the achievement need level of subordinates by making the tasks more challenging and interesting, building a healthy work environment, providing of adequate freedom to subordinates, and delegating more responsibilities.
- 3) High performance of subordinates lead to reward and appreciation which also help to raise the achievement need level of subordinates.
- 4) Developing a desire of high achievements in the mind of employees can also be used for achievement motivation.
- 5) For the survival and success of an entrepreneur and his business, achievement motivation is very essential.
- 6) It acts as a motivating factor for the economic development of the country.

4.3.5.3. Criticism of Achievement Motivation Theory

This theory has the following criticisms:

- 1) High achievement seekers cannot be effective managers and expect similar results from others.
- 2) The practice of protective techniques is objectionable.
- 3) The training for achievement motivation is a time consuming process.
- 4) Not all needs motivate the workers.

4.3.6. Ways to Achieve Entrepreneurial Motivation

For several persons, exploring the motivation for attaining the objective is not an easy job. A number of people have the ability to outshine without requiring external source of motivation, while several others need extra motivation from others. Inborn motivation to succeed varies from person to person, as anything which might motivate an individual fails to do so in case of another person. In case a person is satisfied with what he has, it would be very difficult to motivate him to excel.

Following are the means through which motivation for excelling can be attained:

- 1) **Maintaining an Optimistic Approach:** The most optimistic person might also lose his/her objectives at times. But those who are really motivated entrepreneurs are determined in true sense as they always remember, "Never quit, irrespective of all the adversities". Sometimes motivation is synonym to determination. A strong determination that nothing can interfere with the objective makes the entrepreneur truly motivated. At several occasions, it is not the consequences of a situation which frighten a person, but his/her own attitude. Failure to accomplish a task in spite of continuous actions can be turned into success by adopting an optimistic outlook.
- 2) **Making an Appropriate Plan:** Motivation till the end of the lengthy project is difficult to maintain in absence of an organised plan. Setting up of the objectives should be accompanied with various key points for regaining the focus. **For example**, motivation to buy a house in the next year should be accompanied with timely payment of all the dues and a regular saving structure for the down payment. Fixing of the small objectives instead of a bigger one helps the entrepreneur to regularly check his success and would help him to attain the desired goal eventually.
- 3) **Being Accountable:** The method of motivation varies from person to person. Some need motivation from others, while some are determined to attain what they desire and act accordingly. As motivation to excel would be eventually advantageous to the entrepreneurs, therefore they have to take the responsibility for their actions. The entrepreneurs also require proving themselves that they really want to achieve what they have aimed for and will give their best efforts in improving their actions and attaining success. This would eventually help the entrepreneurs to explore their own definition of excellence; however they should never forget that, 'sweating and toiling would ultimately help in tasting the sweet fruit of successes'.
- 4) **Working for Others, Not for Self:** Sometimes motivation comes from the feeling of doing something for others. Some entrepreneurs get tired of entrepreneurial life but they remain in this journey just to secure the future of their loved ones. In absence of personal motivation, this factor compels the entrepreneurs to being engaged in entrepreneurial journey.

4.3.7. Usefulness of Entrepreneurial Motivation

Motivation services as the reason, or reasons, that compel someone to continue striving and working. It provides hope and clarity when circumstances become hard and discouraging. Entrepreneurial motivation, then, is fundamental in someone's decision to embark on the journey of creating a business. Motivation is also important to those that entrepreneurs work with and interact with. Entrepreneurs need to understand, tap into, and sustain their own motivation for starting a business, but they also need to be able to motivate others to buy into their idea. Whether it's motivating investment groups to provide startup funding or motivating eventual employees during the early days, motivation is key to keeping everyone on the same page about the mission of the new business and working towards fulfilling that.

- 1) **Independence:** Independence entails taking the responsibility to use one's own judgment as opposed to blindly following the assertions of others. It also involves taking responsibility for one's own life rather than living off the efforts of others. Many investigators have observed that the entrepreneurial role necessitates independence. First, the entrepreneur takes responsibility for pursuing an opportunity did not exist before. Second, entrepreneurs are, in the end, responsible for results, whether achieved or not achieved. Further, individuals may pursue entrepreneurial careers because they desire independence.
- 2) **Control and Creativity:** Many entrepreneurs have an idea they want to share with the world or that they think could influence people's lives for the better. Wanting a greater creative control over the product and business process is a driving motivation that launches the career of many self-made business people and can help create focus and provide inspiration throughout the entrepreneurial process.
- 3) **Maintaining a Positive Frame of Mind at all Times:** Attitude is everything. A simple smile and showing confidence, is what your team would always expect from you. Motivated entrepreneur will also motivate other employees around him which will subsequently contribute in the growth of the enterprise.
- 4) **Risk-taking Ability:** According to McClelland, risk taking ability of individual is very crucial as the entrepreneurial process involves taking risks and facing uncertainties. Entrepreneurs with higher achievement motivation prefer to engage in activities of intermediate risk as these activities involves challenging goals yet attainable.

4.4. HARVESTING STRATEGIES (EXIT STRATEGIES)

4.4.1. Introduction

Harvesting, also known as an exit or liquidity event, is the act of cashing out of an ownership position in a company. The tactics used by the firms to discontinue their business operations, relationships or products with the suppliers or the customers are termed as exit strategies. These strategies are not integral component of the main business plan, but these decisions are taken eventually when the business does not go in the planned direction.

Through exit strategies, entrepreneurs abandon their business units, divisions, or products as they found that it is no longer profitable to stay active in the industry or the marketplace. **For example**, business firm offering niche party dresses for women finds out that they are not earning enough revenue to compensate the costs involved in manufacturing and thus they decide to abandon the unit. In the field of management, exit strategies did not receive much attention as most of the managerial and research activities are oriented towards keeping the business on track with providing innovative products regardless of the pressure putting on the business to use exit strategies. This is because exit strategies are viewed as 'giving up' or a symbol of failure.

Due to the increased global economy and production capacity of the business, market players have now become more complex and competitive than before. In these scenarios, a greater number of firms are considering exit strategies as a feasible and profitable option. In current times, experts suggest businesses to build one or more exit strategies during the starting phase of the business in order to forecast and identify the warning signals of getting out of the market. Generally, exit strategies are implemented at the declining stage of the business when the profits and sales of the offerings goes down and the enterprises are unable to sell the products or create a new product and thus choose to exit the competitive market. The kind of exit strategies to be adopted by the company depends upon numerous factors such as the status of product line, availability of company resources, market response, etc.

4.4.2. Reasons for Exiting

Entrepreneurs make difficult decisions in their business. Closing the company and exiting the market is one of the most difficult decisions for an entrepreneur. For determining the company's sustainability, many times the entrepreneurs review their business operations in which accounting information is crucial. This is because accounting assesses the monetary profitability of the enterprise and further determines whether or not running the business operations is feasible. There can be numerous reasons for choosing exiting strategies, some of which are explained below:

- 1) **Economic Conditions:** Adverse economic conditions are one of the most common reasons for choosing exiting strategies. Due to depression or recession, there is low growth of the national economy which has a direct impact on the business operations. Severe declines have to be faced by the enterprises when the economic conditions are poor or opposing. Various organisations that produces durable products or the industries that manufactures luxury items often face problematic situations and economic depressions since these goods need huge capital investments from the entrepreneurs.
- 2) **Less Profit:** Another usual reason for exiting marketplace is generation of inadequate or less profits. While operating the business, entrepreneurs invest money in production overhead, inventory and other business expenditures. However, investing a large amount of capital in order to generate high revenue does not guarantee higher profits and often results in low profits. Situations of low profits signify that the entrepreneurs are not able to obtain their personal income or are unable to enhance the business processes. Sometimes, due to fewer profits, entrepreneurs are not able to repay their loans taken for the start-ups. Under these circumstances, exiting strategies are helpful.
- 3) **Unavailable Resources:** For producing products/services, enterprises require economic resources including capital, labour and land. Capital includes the money, physical assets or the facilities that are essential for running a business. Labour refers to the people or human resources that aids in the conversion of raw materials into final products. Land signifies the natural resource available in the economy. Entrepreneurs often choose to close their enterprise when they do not obtain adequate economic resources. Sometimes, availability of low quality economic resources also forces the entrepreneurs to choose exit strategies.
- 4) **High Competition:** The number of businesses running in an economic market and offering similar types of products/services can be understood as market competition. While maintaining their market share, small firms usually face high competition. When the other market players continuously develop and launch new products in the market at cheaper prices, then entrepreneurs may opt for exiting strategies as competing with larger competitors may decrease their market share.

- 5) **Better Future Goals:** Often, the entrepreneurs realise that more profitable and exciting opportunities exist for a better business set-up. In those situations, closing down the current business operations seems to be a good option.

4.4.3. Types of Exit Strategies

Following are the different types of exit strategies:

- 1) **Liquidation:** Liquidating the assets may be an option for the businesses struggling for survival. Liquidation may be referred to as the process whereby a business sells off all its assets in order to settle the debts from the creditors and the shareholders. **For example**, “going out of business sale” can be a form of liquidation where an organisation which is planning to shut down, sells products at reduced prices. Moreover, the prices of the inventories can be lowered down to facilitate quick sale. The process of liquidation may be quick and easy; however it is not an advisable and profitable method to walk out from a business.
- 2) **Selling Off:** The owner of an enterprise might make a choice to retire from the business by selling off the enterprise or set up a new venture by making use of the profits generated from the earlier business. **For example**, family businesses in which the operations are passed on from generation to generation mostly witness this type of situation. Here the seller is assured that the buyer will run the business in a more efficient way typically because he/she possesses better operational skills and knowledge.
- 3) **Lifestyle Company:** Generating enough profits without any plans for expansion of the business is the main intention behind a lifestyle company. The profits earned are kept by the owner and are not invested in the growth of the business. The expenses and costs are kept as low as possible. When the business does not generate enough profits the owner may shut down its operations and may go on to set up a new venture. Consultancy firms and various private and small scale businesses can be the examples of a lifestyle company.
- 4) **IPO:** Selling the shares of a private business to the public is done via an IPO or Initial Public Offering. Huge amounts of funds in a very short time period can be generated through IPOs. Hence, this option is very lucrative for the investors and entrepreneurs. The worth or value of a company is determined and then that value is divided into an equal number of shares which are made available for the public to buy. Hence, the money generated from the public can be used for the expansion of the business or to provide returns to the investors.
- 5) **Mergers and Acquisitions:** Under mergers and acquisitions, the control of the business is transferred to a different party. However, a small part may be played by the owner in the daily operations of the business. Under M&As, the owner does not sell the complete enterprise altogether, instead he/she wishes to exit the business slowly. Since the owner does not have any control over the business, he/she cannot bring about changes that are in the best interest of the business.

4.4.4. Long-term Preparation for Exiting

Advance planning process is required by the entrepreneurs once they are confirmed about selling their business. A number of decisions have to be taken by the entrepreneur regarding the business so that the buyer perceives it to be more valuable and attractive. Such decisions enhance the overall worth of the business and are not in any way disadvantageous. Preparation of a long-term business requires significant consideration of the following factors:

- 1) **Goals:** Considering the short-term and long-term goals are critical factors to any business. Goals that are broad, motivational and dynamic describe the chances of success of the business. The goals of a business are observed by the buyers. They serve as a force to drive the activities of the business.
- 2) **Resources:** Adequate availability of resources is important for the success of a business irrespective of the nature of enterprise, market or industry. Resources could be the employees of the enterprise, its capacity, technology, finance, etc. These resources are observed by the buyers since they assist in attaining the goals of the enterprise. Companies that are present in the market for a long time are able to manage and evaluate their resources very well. However, this is quite not possible for short-term businesses.
- 3) **Management:** The purchaser or the buyer gives much importance to the management of the company, particularly when its owner wants to exit the business during or following a sale. Demonstrating to the buyer that a skilled and capable second level management is present to undertake the executive control of the business after the sale is very important. This requires decentralising of the management control.
- 4) **Diverse Customer Base:** A company should not rely heavily on a single segment of customers. The famous advice given by Warren Buffet - “Do not put all your eggs in one basket” can be considered true in this situation. This is because if losses are incurred from one segment, the other profitable segments can compensate for it. Having a diverse customer base will even be helpful in attracting buyers for the company. The company should also demonstrate that its customer base is growing.

- 5) **Audit Contracts and Agreements:** Reviewing of all the written contracts and agreements is important. It is done to determine the expiry date of the contracts, their effectiveness in accurately depicting the present situation and dealings of the business and whether the sale of business had any impact on them. The other non-written and verbal agreements need to be put in a written manner. This is because these are required by most of the buyers. If such contracts and agreements are not available in written form, then the buyers may try to quantify its negative impact by reducing the purchase price.
- 6) **Regulatory Compliances:** In order to conduct a business effectively there is a need for several regulatory licences and permits. It is not easy to obtain these clearances; it takes time. A number of uncertainties might creep into buyer's mind if such regulatory paperwork is not complete on the part of the company. The previous owner should complete all the paperwork regarding the regulatory compliances since the buyer would not want to get into this mess.

4.4.5. Short-term Preparation for Exiting

After selecting the customers, planning becomes crucial for getting into short-term measures for making the business ready for selling. When preparing the business for short-term exiting, following factors need to be considered:

- 1) **Handling the Profits:** Spending the profits generated from the sales of offerings requires some time. The entrepreneurs should outline a plan that clearly describes the financial objectives of the firm and assesses the tax outcomes linked with increase in wealth. For this purpose, entrepreneurs may seek help from financial professionals for understanding how and where they can invest their money and enjoy long-term benefits.
- 2) **Preparing Documents:** All the tax returns and financial statements should be collected by the entrepreneurs for showing them to the accountant. Also, a list of the items that are being sold by the enterprise and a list of contacts including sales people, suppliers, etc., should be prepared. Further, relevant paper work regarding sales transactions or lease should be reviewed.
- 3) **Business Valuation:** Entrepreneurs must determine the businesses' worth when they have decided to sell the business. Locating the business appraiser is the first step towards valuation process. A detailed picture of the business' worth will be drawn by the appraiser and the official document will create reliability and will act as list price.
- 4) **Appoint Financial Advisers:** Plenty of reasons exist for an entrepreneur to consult a professional adviser while selling the business. These involve the financial advisers' knowledge of potential buyers, their expertise of maintaining confidentiality and their skills of negotiation. These advisers have good negotiation skills in company sales as well as possess negotiating stance for securing the best deal in the market.
- 5) **Demonstration of Trustworthiness:** Trustworthiness is crucial while selling the business because if the purchasers find any problems of the business that the entrepreneur is willing to hide or did not mention, then buyer may not be interested in buying. Instead, if the entrepreneurs are transparent about the business related issues, then chances of closing the deal increases.
- 6) **Resolve Problems:** If there is any pending court case, customer complaints or any other problem that may lower the business worth in the eyes of the buyers, then it must be resolved beforehand. Entrepreneurs can seek help from the advisory team in formulation of a strategy for disclosing and addressing such issues before selling.
- 7) **Update Books:** Before buying the business, some buyers are interested in analysing the previous years' financial performances of the company. Therefore, the entrepreneurs must update all the balance sheets and profit & loss statements and keep them ready.
- 8) **First Impressions:** While selling the business, first impression is critical. Thus, the entrepreneurs must keep their business ready for impressing the buyer at the very first meet by making the business premises neat, orderly and well-managed as they are generally considered as good business practices.

4.4.6. Considerations in Exit Strategies

In 1963, Conrad Berenson postulated an exit model that recognised five different kinds of criteria which are helpful in evaluating the decisions of product abandonment. These categories are explained below:

- 1) **Financial Security:** It helps in analysing whether or not the firm's production meets the minimum return on investment.
- 2) **Financial Opportunity:** It refers to the assessment of return on different uses of the company's resources.
- 3) **Marketing Strategy:** It signifies the product's worth apart from the financial profit, basically in terms of brand name, market value, etc.

- 4) **Social Responsibility:** It signifies the criterion that involves the responsibilities of the company towards customers, workforce, suppliers, and society.
- 5) **Organised Intervention:** It involves the processes and actions of the government, labour groups or society that arise from exiting decision.

4.5. EXERCISE

4.5.1. Multiple Choice Questions

- 1) **The term motivation is derived from the term:**
 - a) Goal
 - b) Motive
 - c) Behavior
 - d) Needs
- 2) **Who defined entrepreneurial motivation as, “the force within a person that stimulates an emerging entrepreneur to grow and expand his venture?”**
 - a) McClelland
 - b) Harold Maslow
 - c) Gartner, Bird and Starr
 - d) SP Robbins
- 3) **Which of these are facilitating factors of motivation?**
 - a) Unemployment
 - b) Moral support
 - c) Acquired experience
 - d) Both b) and c)
- 4) **Once a need is satisfied, it stops motivating an individual further. This line relates to which of the following theories?**
 - a) Maslow's need theory
 - b) Herzberg's hygiene theory
 - c) McClelland achievement motivation theory
 - d) McGregor's theory X and Y
- 5) **Which of these is a higher order need according to Maslow's theory?**
 - a) Basic
 - b) Safety
 - c) Self-actualisation
 - d) Both a) and c)
- 6) **Which one of the following is not one of the needs identified in the theory of McClelland?**
 - a) Need for power
 - b) Need for satisfaction
 - c) Need for achievement
 - d) Need for affiliation
- 7) **Which is the immediate step after ideate in design thinking process?**
 - a) Prototype
 - b) Test
 - c) Understand
 - d) Define
- 8) _____ is a process that allows a company to create its own vision and proposal and to develop a radical new meaning.
 - a) Design thinking
 - b) Innovation
 - c) Bootstrapping
 - d) Design driven innovation
- 9) **TRIZ theory was introduced by:**
 - a) Genrich Altshuller
 - b) Abraham Harold Maslow
 - c) Gartner, Bird and Star
 - d) SP Robins
- 10) **The other name for harvesting strategy can be:**
 - a) Exit strategy
 - b) Competitive strategy
 - c) Building up strategy
 - d) None of the above
- 11) **All of these are the reasons for exiting the business EXCEPT:**
 - a) Economic conditions
 - b) High competition
 - c) Lack of motivation
 - d) Better future goals

Answer:

1) b 2) c 3) d 4) a 5) c 6) b 7) a 8) d 9) a 10) a
11) c 12) a 13) d 14) c 15) c 16) b 17) a 18) b

4.5.2. Short Answer Type Questions

- 1) Describe the term 'entrepreneurial motivation'.
 - 2) Give the classification of theories of motivation.
 - 3) Explain Driven innovation and its process.
 - 4) What is harvesting strategy? What are the types of harvesting strategies?
 - 5) Briefly explain IPO alongwith its advantages and disadvantages.

4.5.3. Long Answer Type Questions

- Q1) Answer Type Questions**

 - 1) What are the various motivation theories? Discuss in detail the achievement motivation theory of entrepreneurship.
 - 2) Describe the term design thinking. Highlight the principles and process of design thinking.
 - 3) Elaborate TRIZ.
 - 4) Highlight the reasons for exiting. Explain the considerations in harvesting strategy.