

IST4078: IT INNOVATION & ENTREPRENEURSHIP

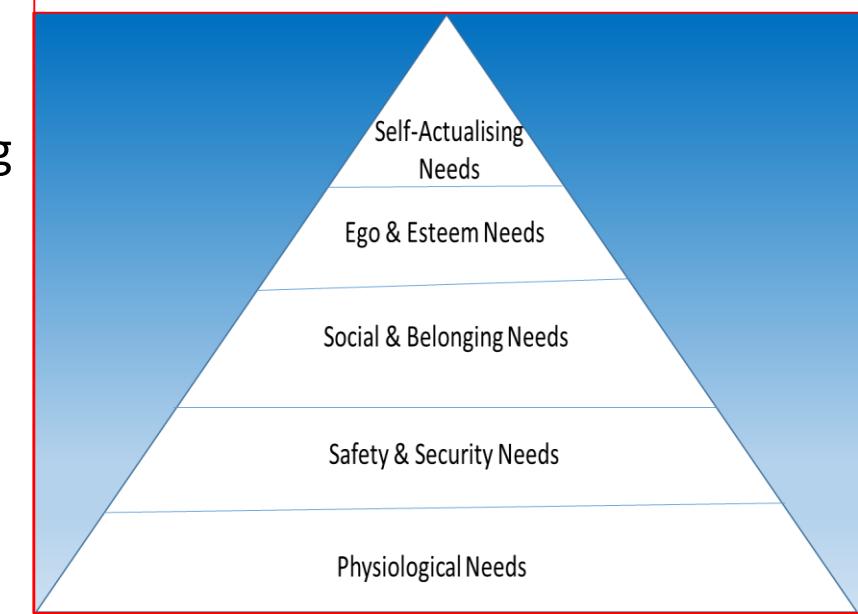
Topic 2: Entrepreneurship Theories

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Motivation Theories of Entrepreneurship

1. *Abraham Maslow's Hierarchy of Needs Theory* – Prominent scholar in the field of psychology

- **Psychological/ Basic Needs** – Important in sustaining human life e.g. food, shelter, clothing
- **Security Needs** – Need to be free from physical danger/ uncertainty e.g. fear of losing a job, losing property, losing a loved one
- **Belonging Needs** – Needs that create a sense of belongingness (being loved and accepted by others). Achieved by affection and friendship creating an environment of mutual trust/ understanding
- **Esteem Needs** – People regard esteem and status in high levels/ positions in society. This need produces satisfaction e.g. self-confidence, power and prestige
- **Self-actualization Needs** – Need to be the best that one can be e.g. achieving one's potential and self-fulfillment, maximizing self-potential to bring change in society (Nelson Mandela, Mother Teresa, Mahatma Gandhi)



Motivation Theories of Entrepreneurship

2. *ERG (Existence Relatedness Growth) Theory by Adelfer*

- a) Existence needs – Basic for one's survival
- b) Relatedness needs – Person's desire to belong to a certain social unit and be appreciated in life
- c) Growth needs – Person's desire for development especially socially, economically and/ or career wise.

Theory states that all needs are important and must be addressed

Needs are closely related to each other but vary from person to person

Motivation Theories of Entrepreneurship

3. *Fredrick Herzberg's Two Factor Theory*

- Fredrick pointed out two categories of factors and classified them as **satisfiers** and **dissatisfies**
- Satisfiers are the intrinsic factors while dissatisfies are the extrinsic factors.
- States that the presence of some factors within the organization can lead to motivation while absence of others can lead to demotivation
- Factors leading to motivation are “hygienic factors” (good working conditions, friendly company policies/ regulations, job security, good relationships, salaries/ allowances) while those that demotivate are “unhygienic factors”

Motivation Theories of Entrepreneurship

4. *Victor Vroom's Expectancy Theory*

- Victor proposed that employees actions are directly related to the reward they expect.
- Argues that the strength to work in a specific way depends on the strength of expectation that the act will be followed with
- If employees are poorly paid/ rewarded, they will put in the energy which is in the same measure as the reward attached to the action
- To boost motivation, reward attached to performance should be reasonable

Motivation Theories of Entrepreneurship

5. *Reinforcement Theory by B. Skinner*

- Skinner proposed that all human actions are geared towards acquisition of pleasure/ avoidance of undesirable consequences and proposed that by designing a working environment, in a particular way, the designer must factor in the effect of the design to the work force
- Design should be appealing and one that enhances comfort as one way of motivating employees
- He said that work environment should be made suitable/ comfortable and appraisal systems to encourage good performance/ behavior (positive reinforcement)
- Control measures/ corrective systems (penalties) to discourage poor performance/ bad behavior
- Reinforcement by encouraging good performance and discouraging poor performance/ bad habits

Motivation Theories of Entrepreneurship

6. *Douglas McGregor's Theory X and Theory Y*

- This theory gives a broad contribution on how to manage human resources in a work place by appreciating education levels, religious backgrounds, personality differences, cultural differences etc.
- Proposes that managers pose assumptions regarding their workforce i.e. theory X being negative assumptions and theory Y being positive assumptions.

Theory X Assumption

1. Employees in this class dislike work and will always try to avoid it
2. Employees avoid responsibility and cannot work without instructions/ supervision
3. Employees dislike work and work best when threatened/ supervision is put in place
4. Employees are not creative, aggressive and will enjoy working as long as there is job security

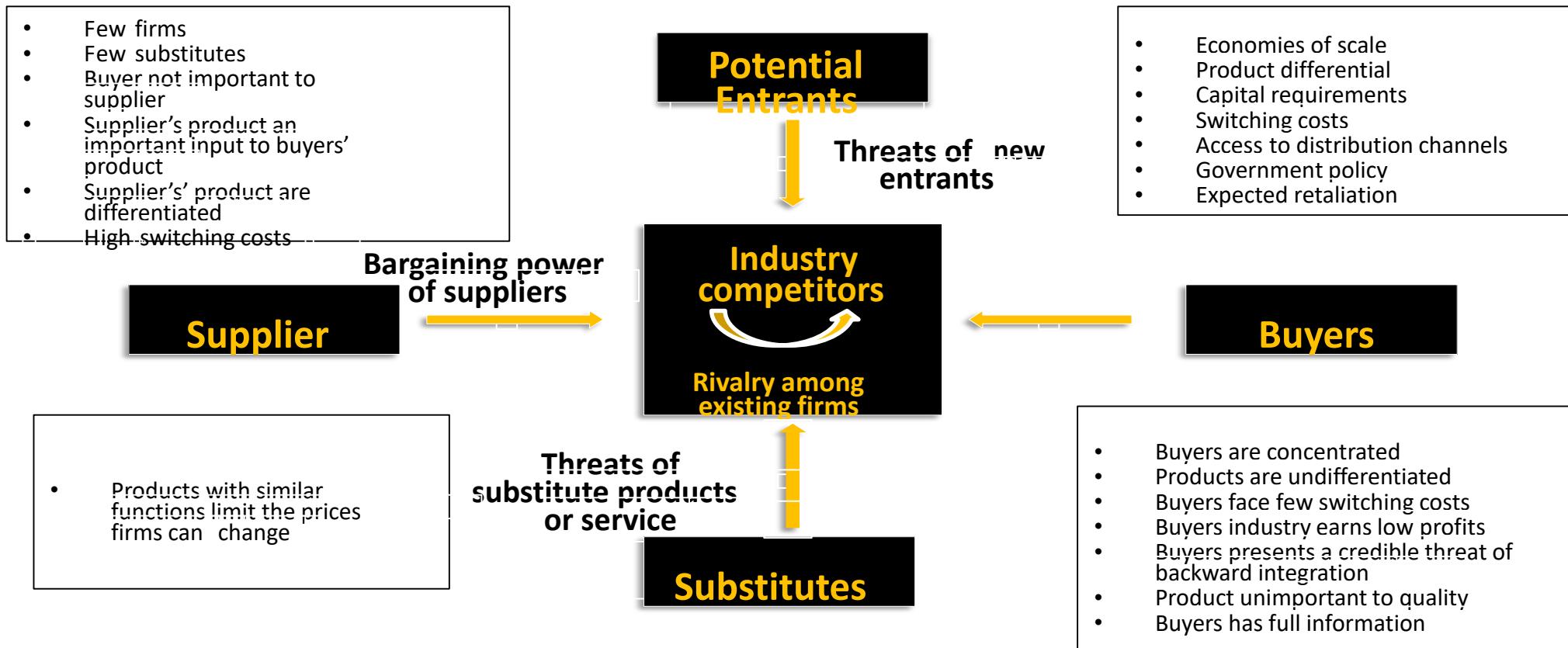
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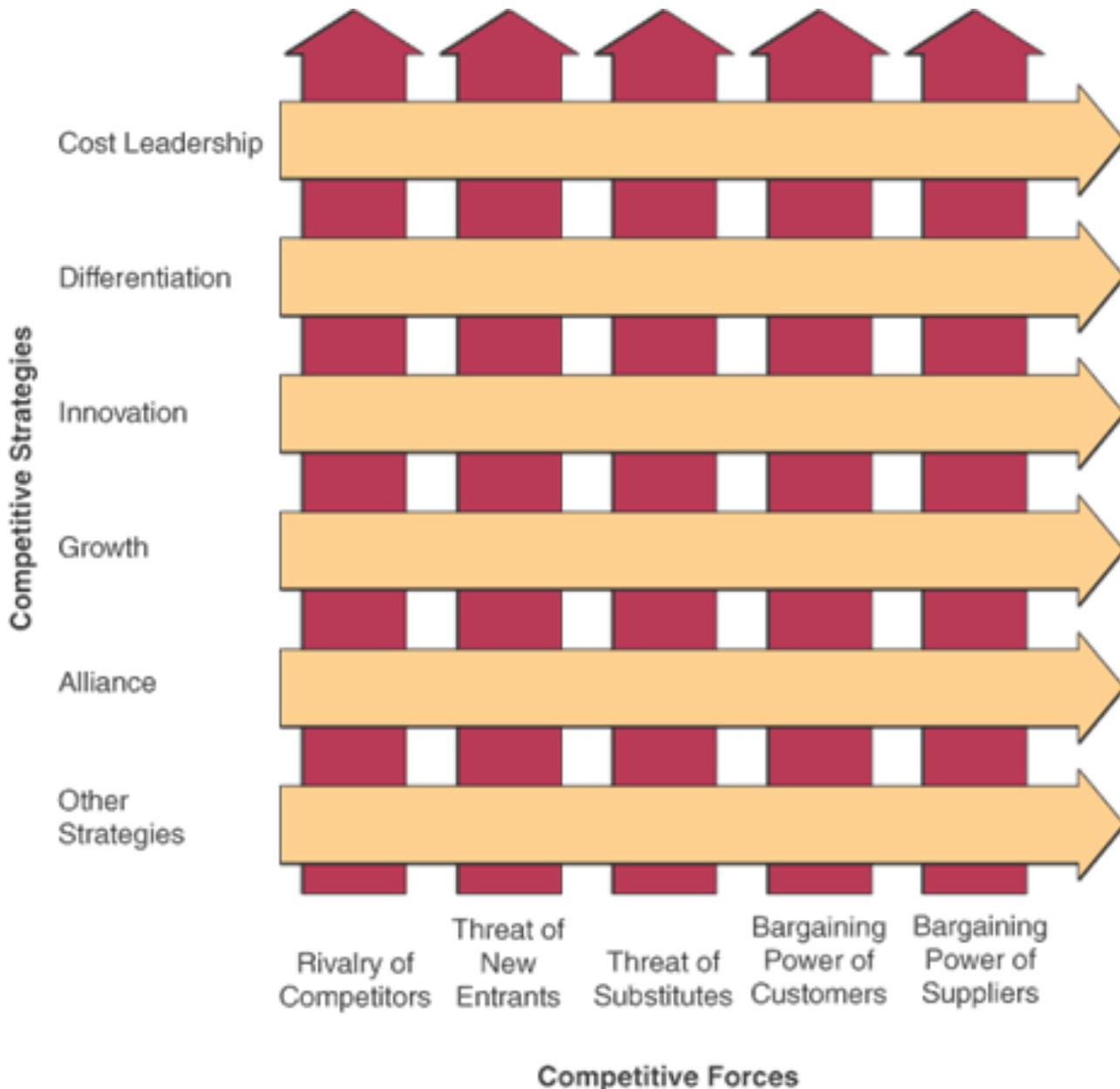
Theory Y Assumption

1. Employees naturally like work and always seek more
2. Physical/ mental effort is as natural as “rest and play” to employees
3. Employees exercise self control/ self direction and do not require supervision
4. Employees are willing to take responsibility and exercise creativity

Theories of Entrepreneurship

Porter's Five Forces





Work To Do

- Value-chain Theory
- Resource-based theory of the firm
- Knowledge-base theory of the firm
- Change theory

*Thank you for Your
Audience and Valuable
Contributions*