

# MODULE 2

## Course Content

Theories of Motivation in Entrepreneurship Development,  
Achievement Theory in Entrepreneurship Development,  
Role of Culture and Society in Entrepreneurship Development,  
Role of Values & Ethics in Entrepreneurship Development,  
Creativity and Entrepreneurship,  
Entrepreneurship and Employment.

# THEORIES OF MOTIVATION IN ENTREPRENEURSHIP DEVELOPMENT

The importance of motivation to human life and work can be judged by the number of theories that have been propounded to explain human's behaviour. They explain human motivation through human needs and human nature.

1. Maslow's Need Hierarchy Theory
2. McClelland's Acquired Needs Theory
3. Carrot and Stick Approach Theory
4. McGregor's Theory X and Theory Y

# MASLOW'S NEED HIERARCHY THEORY

Abraham Maslow, an American social scientist, postulated that a person will be motivated when all his needs are fulfilled.

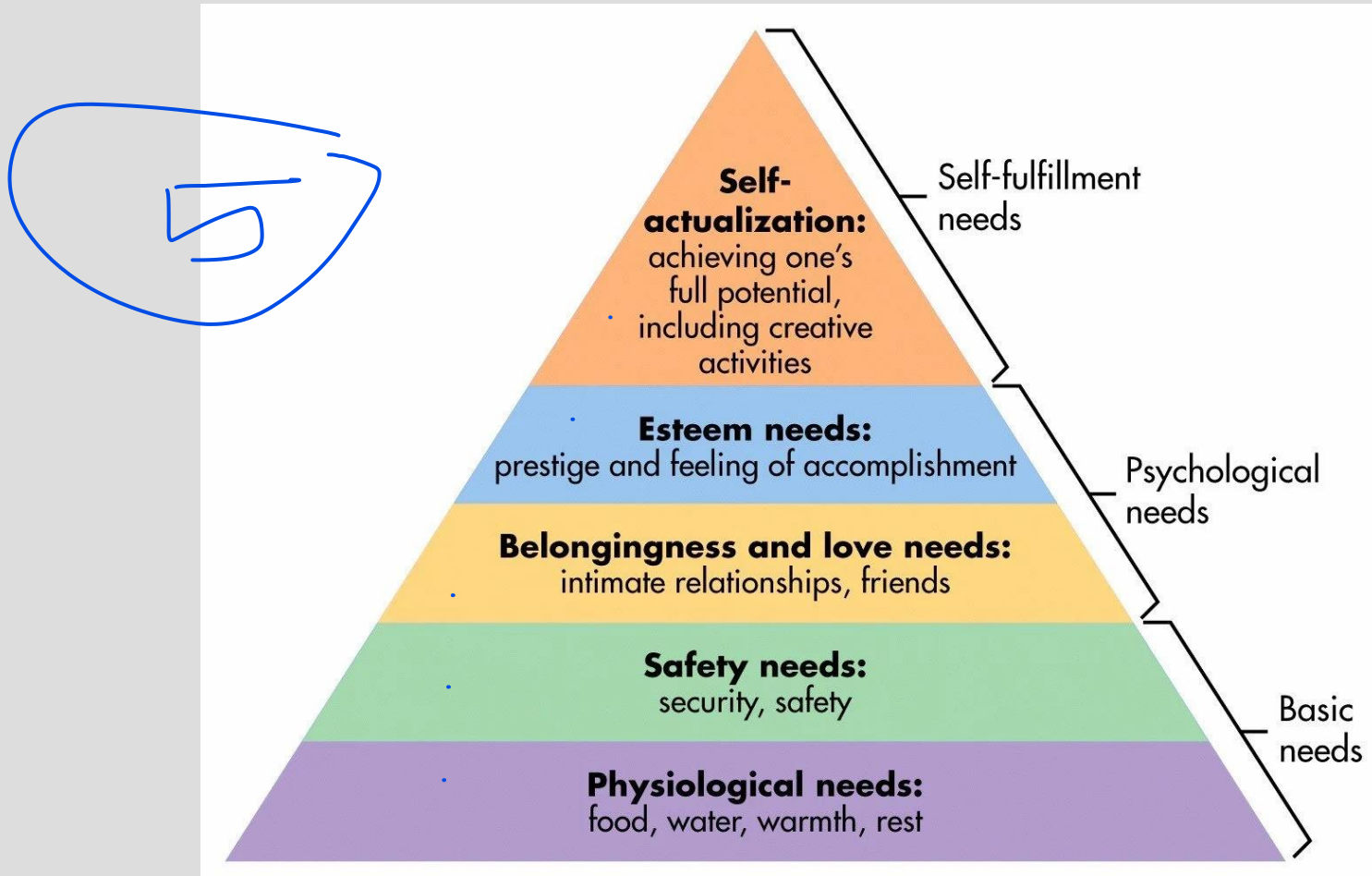
There is a priority of certain needs over others. The importance of needs will influence the level of motivation.

He has categorized human needs into five categories. He is of the opinion that a person tries to achieve first category first and then moves on to the next and so on.

Below is the hierarchy of needs:


- **Physiological needs:** are basic needs for survival such as air, sleep, food, water, clothing, and shelter.
- **Safety needs:** Protection from threats, deprivation, and other dangers (e.g., health, secure employment, and property)
- **Social (belongingness and love) needs:** The need for association, affiliation, friendship, and so on.
- **Self-esteem needs:** The need for respect and recognition.
- **Self-actualization needs:** The opportunity for personal development, learning, and fun/creative/challenging work. Self-actualization is the highest-level need to which a human being can aspire.

# MASLOW'S NEED HIERARCHY THEORY



# MCCLELLAND'S ACQUIRED NEEDS THEORY

McClelland affirms that we all have three motivating drivers, which do not depend on our gender or age. One of these drives will be dominant in our behavior. The dominant drive depends on our life experiences.

The three motivators are: 

**Achievement:** a need to accomplish and demonstrate own competence. People with a high need for achievement prefer tasks that provide for personal responsibility and results based on their own efforts. They also prefer quick acknowledgment of their progress.

**Affiliation:** a need for love, belonging and social acceptance. People with a high need for affiliation are motivated by being liked and accepted by others. They tend to participate in social gatherings and may be uncomfortable with conflict.

**Power:** a need for controlling own work or the work of others. People with a high need for power desire situations in which they exercise power and influence over others. They aspire for positions with status and authority and tend to be more concerned about their level of influence than about effective work performance.

# CARROT AND STICK APPROACH THEORY

This approach comes from an old story that the best way to make a donkey move is to put a carrot out in front of him or jab him with a stick from behind.

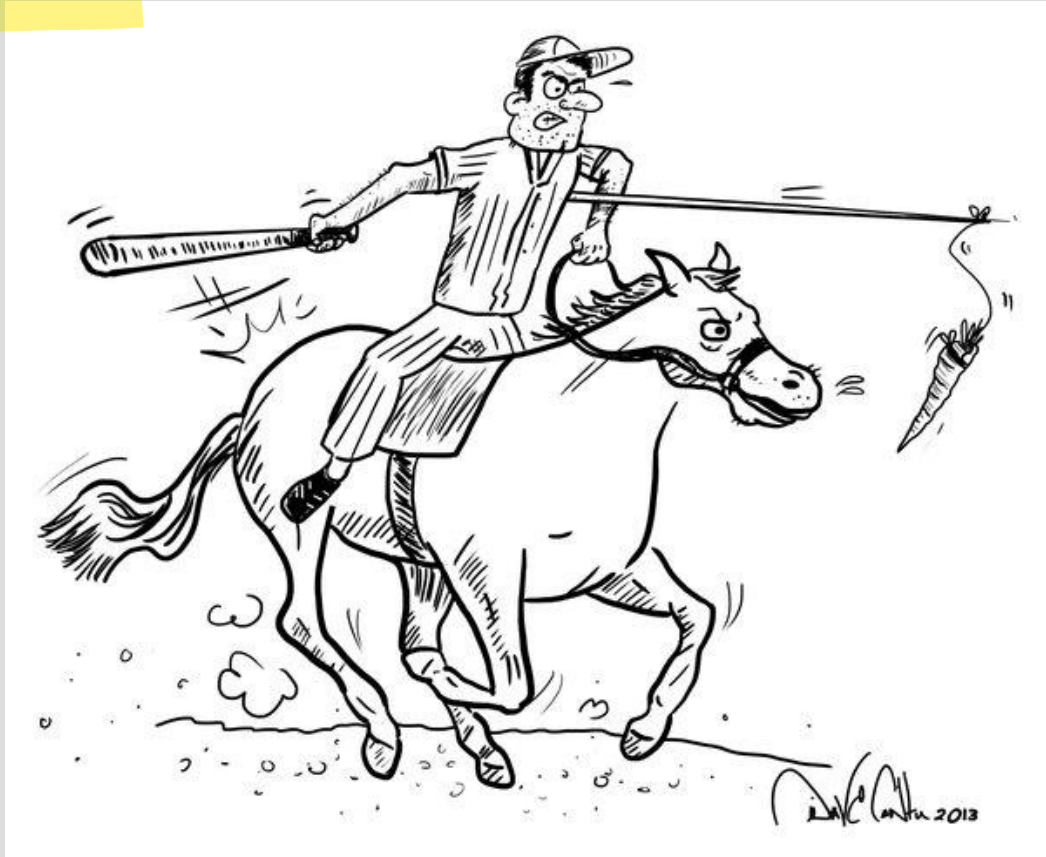
The carrot is the reward for moving, the stick is the punishment for not moving.

For motivating people to work more some kinds of rewards can be offered. Often this is money in the form of pay or bonuses.

There can be non-monetary reward too.

The punishment can also be used to push a desirable behaviour of employees. These can be in the form of reduction of bonus, demotion, fear of loss of job, loss of income etc.

# CARROT AND STICK APPROACH THEORY



# MCGREGOR'S THEORY X AND THEORY Y

Douglas McGregor introduced these two theories i.e., Theory X and Theory Y, based on two distinct views of human beings.

He proposed, at opposite extremes, two pairs of assumptions about human beings which he thought were implied by the actions of the managers.

Theory X deals with one extreme, based on one set of assumptions and Theory Y, deals with another extreme based on another set of assumptions.



# MCGREGOR'S THEORY X AND THEORY Y

Theory X: This theory is based on the traditional approach to human behaviour.

The assumptions generally held by the managers in this theory are:

1. The average human beings inherently dislike work and will try to avoid it, whenever possible.
2. As the employees are lazy, they must be controlled, coerced, threatened with punishment to achieve goals, to which they are indifferent.
3. Average employees will try to avoid responsibility and seek formal directions whenever possible, because they have relatively little ambition.
4. Most workers place security above all other factors associated with work.

These assumptions about human nature are negative in their approach.

Managers who advocate these views feel that extreme control is most appropriate for dealing with irresponsible and immature employees.

This is an autocratic style of leadership based on the traditional theory of what workers are like and what management must do to motivate them.

Workers have to be persuaded and pushed into performance.

## MCGREGOR'S THEORY X AND THEORY Y

Theory Y: This approach assumes that management by direction and control is a questionable method for motivating such people whose physiological and social needs have been satisfied and whose social; esteem and self actualization needs are becoming more important.

For such people, Theory Y seems to be applicable, which is the contrast of Theory X.

This theory makes the following assumptions about people:

1. The average human being does not inherently dislike work. He can view work as natural or enjoyable as rest or play.
2. Employees will exercise self direction and self control in the attainment of the objectives to which they are committed.
3. Given proper working conditions, average person can learn to accept and even to seek responsibility.
4. Commitment to objectives is a function of the rewards associated with their achievement.
5. All the people are capable of making innovative and creative decisions and the decision making is not the sole province of the people in management positions.

## MCGREGOR'S THEORY X AND THEORY Y

This theory has assumed a new approach in management.

It emphasizes on co-operation between management and employees.

The individual and organizational goals do not conflict in this approach. This theory places greater emphasis on satisfaction of high level needs of the employees.

McGregor himself holds that the assumptions of theory Y are more valid than Theory X.

Thus, delegation of authority, job enlargement, management by objectives and participative management techniques are great motivators for the employee.

# MCGREGOR'S THEORY X AND THEORY Y

## Applicability of Theory X and Theory Y

Theory X and the Theory Y represent two extremes. No person can belong to these two extreme situations.

Each person possesses the traits of Theory X and Theory Y, though the degrees may be different under different situations.

Though, no generalizations can be made, still it appears that theory X is more applicable to unskilled and uneducated lower class workers who work for the satisfaction of their physiological needs only.

Theory Y appears to be applicable to the educated, skilled and professional employees who understand their responsibilities and do not need any direction and control.

However, there can be exceptions. A lower level employee may be more responsible and mature than a well qualified high level employee.

Still these theories are very important tools in understanding the behaviour of human beings and in designing the motivational schemes.

The management should use a combination of both the theories to motivate different employees.

# ACHIEVEMENT THEORY IN ENTREPRENEURSHIP DEVELOPMENT

- David McClelland has developed an Achievement Motivation Theory.
- According to this theory an individual's need for achievement refers to the need for personal accomplishment.
- It is the drive to excel, to strive for success and to achieve in relations to a set of standards.
- The following psychological factors contribute to entrepreneurial motivation :
  1. Need for achievement through self-study, goal-setting and interpersonal, support.
  2. Keen interest in situations involving moderate risk.
  3. Desire for taking personal responsibility.
  4. Concrete measures of task performance.
  5. Anticipation of future possibilities.
  6. Energetic or novel instrumental activity.
  7. Organisational skills, etc.

# ACHIEVEMENT THEORY IN ENTREPRENEURSHIP DEVELOPMENT

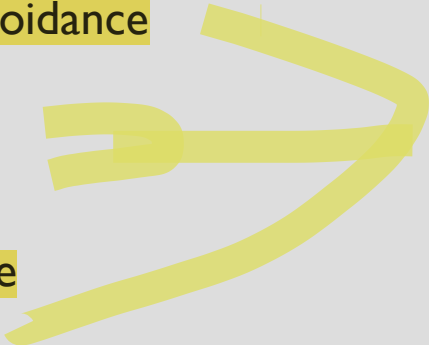
- Need for achievement is simply the desire to do well not so much for the sake of social recognition or prestige but for the sake of an inner feeling of personal accomplishment.
- It is this need for achievement that motivates people to take risk.
- People with high need for achievement behave in an entrepreneurial way.
- Need for achievement stimulates the behaviour of a person to be an entrepreneur.

## ROLE OF CULTURE AND SOCIETY IN ENTREPRENEURSHIP DEVELOPMENT

One of the significant studies on Entrepreneurship and the influence of culture at the workplace and development of values among the Youth has been put forth by Hofstede.

He has proposed a four point model that influences the Entrepreneurship in the local work environment.

As per him, following FOUR socio-cultural elements influence the attitude and thinking of the individuals with reference to their personal goals and careers.

1. Uncertainty Avoidance
  2. Individualism,
  3. Masculinity
  4. Power Distance
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# ROLE OF CULTURE AND SOCIETY IN ENTREPRENEURSHIP DEVELOPMENT

## **1. Uncertainty Avoidance**

- It is a measure that indicates a group's level of anxiety regarding future events.
- It evaluates the degree of tolerance within a culture for the ambiguity that is inherent in a continuously unfolding future.

## **2. Individualism:**

- This is a measure that indicates the degree to which individual identity and selfconcept are linked to collective groups within society.
- Small organizations are favored in individualistic cultures while large organizations are more desirable in the collectivist orientation.

## **3. Masculinity:**

- It evaluates the general tendency to act either assertively (masculine) or in a nurturing manner (feminine).
- In high masculinity societies, individuals tend to set high performance standards and act forcefully to achieve these standards.
- Achievement motivation is high within these societies and markers of achievement such as earnings, formal recognition and advancement are relatively more important than work climate and relationship issues.
- Independent rather than group decision making is preferred.



# ROLE OF CULTURE AND SOCIETY IN ENTREPRENEURSHIP DEVELOPMENT

## 4. Power Distance

It is a measure of the degree of interpersonal influence that those who hold power in a social structure can exert over those who lack power.

superiors in high power distance societies tend to exert much influence over the behavior of subordinates who tend to be submissive rather than independent.

Organizations tend to be highly centralized with a clear-cut separation between white and blue collar workers, characterized by relatively large wage differentials between the groups.

There is little opportunity for low-level employees to move up in organizational hierarchies.

## ROLE OF VALUES & ETHICS IN ENTREPRENEURSHIP DEVELOPMENT

In today's modern society, businesses have been gaining more power and it invariably influences various areas of our society.

Thereby, businesses are obliged to take the responsibility for the upholding of values, wealth creation, and the appropriateness of the tools that are used to achieve the goals.

In a business, an entrepreneur's social norms, morality, social responsibility initiatives, and norms of conduct are said to be a matter of business ethics.

Business ethics & culture are closely related and deeply influence each business enterprise.

The object of business ethics majorly lies in an entrepreneur's morality, behavior, values, and norms.

Business Ethics is said to be a form of social responsibility which are more related to compliance with moral norms and rules.

## MOST COMMON ETHICAL ISSUES FACED BY ENTREPRENEURS

- Greediness
- Production of poor products
- Hiding correct information in reports
- Overconfidence
- Unfair price increase
- Direct fraud in negotiations
- Poor quality of work
- Blind obedience to management
- The conflict between personal & business interest
- No opportunity to disapprove an unethical behavior
- Insufficient attention to personal life due to excess workload
- Fraudulent behavior to benefit the organization

## TYPES OF ENTREPRENEURSHIP ETHICS

There are two types of business ethics: macro-ethics & micro-ethics.

- Macro-ethics defines the moral relationships within a business, relationships between businesses as moral entities, and also between their shareholders and employees.
- Micro-ethics is a part of business ethics that defines the specifics of moral relationship between the socio-economic system of the macro-entities, the state, business organizations, and society in general.

# ENTREPRENEURSHIP: A TRIANGLE OF VALUES

Entrepreneurship development is an amalgamation of three kinds of values: personal, professional and social values.

## Personal Values

- Any business venture is a reflection of the entrepreneur's personal values, attitudes, and beliefs.
- Personal values that an entrepreneur needs are attributes such as honesty, passion, determination, and confidence. No one likes to do business with people that are arrogant, selfish, dismissive and egotistic.

## Professional Values

- While personal values reflect on the entrepreneur's personality traits professional values correspond his or her ability to conduct themselves in the business environment.
- What matter is healthy competition, self-determined work environments and also doing the right thing by adhering to law and order.
- Professional values guide an entrepreneur towards being a great team leader.
- It is important that employees are provided with opportunities to grow and to have the support to also fulfill their personal and social responsibilities towards their families and friends.
- It is also important to think of potential customers or business partners as part of your company.

# ENTREPRENEURSHIP: A TRIANGLE OF VALUES

## Social Values

- As a successful entrepreneur you must also adhere to social values and give back to or shape society.
- Businesspersons who look beyond business life possess great social values. As their business develops it creates value for society as a whole.
- There are generally two ways of creating a high social value through your business.
- The first way is to create products or services that benefit society and provide solutions to problems that otherwise cannot be solved.
- The second way is to invest more money into corporate social responsibility (CSR) by supporting a social cause that one believes in.
- Doing a great service to society in whatever way possible will most certainly have ripple effects on one's reputation.
- When the business is portrayed as responsible by looking towards the needs of society it is easier to get everyone's attention, new potential customers and a positive image and brand.
- Entrepreneurship is a lot more than money-making. It is also about sustainability. As long as you keep your personal, professional, and social values balanced, you will continue to grow your business.

# CREATIVITY AND ENTREPRENEURSHIP

Creativity is a crucial skill for an entrepreneur, and helps in devising interesting processes and products.

Three reasons why creativity is important:

1. Innovation,
2. Adaptation,
3. Productive Growth

# ROLE OF CREATIVITY IN ENTREPRENEURSHIP DEVELOPMENT

## **Optimal utilization of employee potential**

- An entrepreneur utilizes full employee potential by encouraging creativity in workplace.
- By tapping on such creativities, an entrepreneur can reap results in the form of profitability, financial strength, and effective decision making.

## **Competitive advantage**

- Creativity leads to generation of novel and innovative ways of doing business.
- Exploring new niches and generating new ideas lead to efficiency and eventually give an entrepreneur the required edge over the competition.

## **Product development**

- Creativity encourages new ways of developing an existing product or service, thereby optimizing business activities in the organization.
- A creative entrepreneur knows how to make improvements in the deliverables of an enterprise.



# ROLE OF CREATIVITY IN ENTREPRENEURSHIP DEVELOPMENT

## Changing the status quo

- Creativity enables an entrepreneur to get new perspectives towards business processes or financial/operational problems.
- It is creativity that helps an entrepreneur to abandon status quo and follow a path of immense discoveries.
- Creativity ignores “usual” or “normal”, and lets an entrepreneur think outside of the box.

## Developing new niches

- It is also very important for an entrepreneur to analyze the traditional business approach and come up with new aspects of doing business activities.
- This can lead to a change in the methods of manufacturing or service delivery or supply chain, and so on.
- This all generates new niches for a potential business and leads to success.

## ENTREPRENEURSHIP & EMPLOYMENT

- **Growing unemployment** especially among qualified or educated youths is great challenge in many economies.
- If such persons become entrepreneur and form new enterprises, they will not only create jobs for themselves but also provide direct employment to many more individuals.
- An entrepreneur creates lot of employment opportunities for different sections of society. By generating opportunities, the entrepreneur adds to the economic growth.
- Setting up a new venture leads to creation of new opportunism for labour, supplier of inputs, supplier of industrial equipments, marketing traders etc.
- All these sectors are benefited by the setting up of new enterprises of the expansion/diversification of existing ones. Employment opportunities are created by the entry of new units in the economy.
- When the existing units increase their production capacity, more employment opportunities are created.

## ENTREPRENEURSHIP & EMPLOYMENT

- A new industrial unit will require raw materials, power, water, banking and communication facilities, plant and machinery, furniture and fixtures etc.
- The providers of all these goods and facilities will get work from the new unit. The suppliers of all the goods and services will certainly gain from this demand.
- These input and services will be required on a regular basis on permanent demand is created for these things.
- The goods and services produced by the entrepreneurs will be sold in the market.
- This would require the services of traders. The increase in trading activity will further require the services of transport, warehousing, insure, advertising, communication etc.
- The resultant effect would be creation of more job opportunities in the economy.