Socio-Psychological Determinants of Entrepreneurship: A Study

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Abstract: Since a long instance entrepreneurship is a wide field of discussion for researchers. As a field of academic investigation entrepreneurship has fascinated the researchers from different domains including economics, management, sociology, psychology etc. From the social outlook entrepreneurship is regarded as a act of some specific communities, castes and ethnic groups, and social institutions, social norms, culture, and social values affect the level of entrepreneurship, whereas, psychologists focus on personality traits and their influence on entrepreneurship. These personality traits are; need for achievement, need for power, locus of control, risk taking ability, and opportunity recognition.

Keywords: Entrepreneurship, Socio-cultural Factors, psychological Factors, Need for Achievement, Need for Power, and Locus of Control.

1. Introduction

The present observable fact of the entrepreneurship is carried out from the chronological background of the industrialization and role of the entrepreneur. During the accomplishment of western industrialization, one and only a person who was the main agent for that was an entrepreneur. Researchers defined to him as a person with some specific personality characteristics such as; need for achievement (McClelland, 1961), risk taking propensity, locus of control (Rotter, 1966), hard worker, innovator etc. on the behalf of the above characteristics, started their work to find the potential entrepreneurs and found that the level of entrepreneurship vary society to society. This difference raised a great deal of discussion to the researchers to find this difference.

However, researchers attempt to seek the role of presence or absence of the entrepreneurial spirit for the industrialization in any society. Many of the developing countries are having the people with low entrepreneurial spirit. Asia, Africa, and Latin America are the countries where this paucity appears. Perhaps, the paucity of entrepreneurial spirit is caused by some social factors such as; social norms, social values, social reward system, prevailing culture etc. and psychological factors such as; attitude, perception, motives etc. or both.

2. Social Factors Affecting Entrepreneurship

Society is a mirror of every event, which took place in the society. It is a wide raised question that, why the level of entrepreneurship vary society to society. Baldwin (1959) studied entrepreneurship in South India and found some communities are more entrepreneur than others. Several researchers found association of entrepreneurship with some specific culture, communities, castes and ethnic groups, such as Jews (Aris, 1970), Parsi (Guha, 1970; Kulke, 1974), Marwaries (Pavlov, 1964), Panjabies (Singh, 1994) etc. The basic question that the level of entrepreneurs from sociology and anthropology streams addressed was “why in some communities the level of entrepreneurship is found higher in comparison to other communities?”

The discussion on this issue was firstly started by Weber (1930). He put forward his thesis that evolution of protestant ethic characterized by hard work, thrift, and desire for material advancement in the West. Perspective Weber’s analysis of Indian situations (Weber, 1958) has been generally interpreted to suggest that the other worldliness of Hinduism had a negative effect on growth of Indian business and economy. Weber’s thesis initiated a great deal of discussions, debate and research. Following Weber’s thinking, many researchers tried to find an association between cultural values and entrepreneurship. Hozelitz (1960) argued that, only society with flexible cultural norms and socialization pattern can promote entrepreneurship. Cochran (1965) stated that, a culture that accords high status to entrepreneurs would promote entrepreneurship.

2.1 Social Institutions

Social institutions, especially culture and norms affect the way which an individual perceives the social role of entrepreneur and how much individual’s desires to become one. Social institutions are thus defined as the written and unwritten “rules of the game”: laws, norms, beliefs etc. (North, 1990).
2.2 Social Culture, Norms and Values

Defined in subjective term, culture refers to the complex of meanings, symbols and assumptions about what is good or bad, legitimate or illegitimate that underlies the prevailing practices and norms in a society (Bourdieu, 1972, Marhus and Kitayama, 1994). Hofstede (1980, 2001) defined the culture as a set of shared values and beliefs. Culture has become virtually a matter of dispute in the entrepreneurship literature. George and Zahra (2002) stated that culture bears a profound impact on all facets of entrepreneurship in societies. Hayton, George and Zahra (2002) provide comprehensive review of empirical studies that have examined the association between national culture and entrepreneurship. Social norms refer to perceived acceptance or rejection of an idea to start a firm by an individual, in a social perspective. Social reward system plays a very pivotal role to pave the way for the development of entrepreneurship.

Researchers examined the association between caste and entrepreneurship, in Indian perspective. However, their finding were rather mix and inconclusive. Several researchers found linkage between casts and entrepreneurship (Lamb, 1955; Pundit, 1957; Menning 1977; Mahadevan, 1978; Nafziger, 1978 and Guha, 1988), while on the other hand, several researchers revealed that there is no valid association between entrepreneurship and cast, and a person with necessary education, capital and technical knowledge irrespective to her/his caste affiliations is successful in entrepreneurship (Berna, 1960; Spodek, 1969; Sharma, 1980; Sabbawal, 1994). However, several researchers challenged the basic thesis of Waber and argued that the economic opportunities rather than religion or ideology is the cause of entrepreneurship (Godgil, 1959; Morris D. Morris, 1966; Chell, 1988). Nevertheless, Weber’s work keeps inspiring the thinker and researchers to investigate on ethnic and cultural association of entrepreneurship.

3. Psychological Factors Affecting Entrepreneurship

Psychologists concentrate on personality traits to explain the entrepreneurial choice of an individual. McClelland’s work in the early 1960s is pioneering in this regard. He argued that the key of entrepreneurship lies in achievement motivation and high need for achievement derives people to become an entrepreneur. Motivational theory is based on the fact that behaviour is essentially purposeful and directed toward the attainment of a goal. McClelland (1961) defined the entrepreneur as “the man who organizes the firm for attainment of some impediment for goals and increases its productivity. This definition of McClelland based on the assumption on the belief that there are some psychological characteristics that make a person more prone to becoming an entrepreneur.

McClelland’s argument was that high need for achievement translates this trait into economic development. His definition of an entrepreneur was relatively broad; he considered a salesman, a management consultant, a fund-raiser, and an officer of a large company as an entrepreneur. He argued that people who are high in the need for achievement possesses five critical attributes. First, high achievers like situation where they can take personal responsibility for finding solutions to problems (Sexton and Similor, 1986). Second, high achievers like rapid feedback so that they can judge whether they are improving or not (Chell; Haworth and Brealey, 1991). Third, high achievers avoid what they perceive to be very easy or very difficult tasks and they dislike succeeding by chance (Chell; Haworth and Brealey, 1991). Fourth, they prefer striving to achieve targets, which represent a challenge, and are not beyond their capabilities (Chell; Haworth and Brealey, 1991). Fifth, high achievers are interested in concrete knowledge of the results of their decisions (Sexton and Similor, 1986), and money most often serve as a good measurement of success.

Need for affiliation and need for power are also two other traits stated by McClelland in his motivational theory. Affiliation imagery is record when the story contains some evidence of concern in one or more of the character over establishing, maintaining or restoring a positive affective relationship with another person; this relationship is most adequately described by word friendship (McClelland, 1961). A person with high need for affiliation tends to be, “approved-seeking”, “to select faces rather than neutral stimuli in a perceptual task” (Atkinion and Walker, 1958), to be considered likely to succeed by peers (McClelland; Sturr; and Wendt, 1958 and Groebeck, 1958) and to choose friends over experts to work with them on a performance task (French, 1956).

Thus, a high need for affiliation is a concern in fantasy and in action for warm, close relationship with other people. A person who wants to achieve his/her goals by the help of a group developed by him or a community always possesses high need for affiliation trait. The need for power was another attribute revealed or explored by McClelland. The need for power is identified as one’s desire to control or influence as on-going situation. It has been found that people with high need for power seek a position of leadership. McClelland defined the term power as a concern, “with the control of the means of influencing a person. Such concern may be inferred from emotional reactions to a dominance situation (e.g. pleasure in winning and anger in losing an argument, “statement of wanting to avoid weakness,” etc.), from dominance activities- “disputing a position, arguing something, punishing someone” or from a description of “an interpersonal relationship which in its execution is culturally defined as one in which there is a superior person having control of the means of influencing other one who is subordinate (e.g. boss-worker, judge-defendant),” (Veroff,1958).

However, there are some empirical supports for the idea that entrepreneurs have a higher motive to achieve compared to non-entrepreneurs. Begley (1995) and Hornaday and Aboud (1971) consistently found that the achievement motivation exists as a stable characteristic and is more prevalent among entrepreneurs, when compared to others. Steward and Roth (2003) conducted a meta-analysis of entrepreneurial personality based on available literature in U.S. and other countries and found that need for achievement or a distinct personality of the entrepreneurs. Several researchers have criticized McClelland’s achievement theory of entrepreneurship over the last three decades. Most probably, Brockhaus (1992) questioned the predictive power of the theory. The
author has pointed out that McClelland’s empirical research did not directly connect need for achievement with the decision to own and manage a business.

Locus of control is one another personality trait which is closely related to the concept of a high need for achievement. Rotter (1966) argued that high need for achievement is related to the belief that one’s fate is controlled largely by one’s own action and not by any external forces. Such belief is supportive in development of self-confidence and hence the ability to control outcomes of entrepreneurial venture. There are significant evidences that such a relationship exists and also that it correlates positively with entrepreneurship (Shapero, 1975; Brockhaus, 1975; Borland, 1974). Individuals, who are reluctant in believing in their ability to control the environment through their actions, would also be expected to be reluctant to assume the risk of starting a business organization.

There are several studies to support this hypothesis (Atkinson and Feather, 1966; Brockhaus, 1980; Cooper et al., 1994; Sexton and Similor, 1986; Bellu, 1988; Huefner and Hunt, 1994; Chen, Greene and Crick, 1998; Mueller and Thomas, 2000). On the other hand there are also many studies which rule out any association between locus of control and entrepreneurship (Hull, Bosley and Udell, 1980; Brockhaus, 1982; Gasse, 1982).

More recently, studies in emerging markets (Muellar and Thomas, 2001; Utche et al., 1999) have demonstrated how cultures with strong belief systems in self-determination tend to have higher rates of entrepreneurial activities. Many recent studies have focused on the relation between the locus of control and entrepreneur’s level of self-efficacy (Chen, Greene, and Crick, 1998; Utche et al., 1999; Littunen, 2000; Stakovic, and Ibrayeva, 2000), and found that in addition to having a high locus of control, it is important for potential entrepreneurs to develop a strong sense of self-efficacy to insure that they follow through with their intentions.

Risk taking propensity, another personality trait in entrepreneurship has also studied by several researchers (e.g. Palmer, 1971; Liles, 1974; Hull et al., 1980; Mancuso, 1975). Since the very beginning, entrepreneurship was defined as a risk bearing activity (Cantillion, 1755; Mill, 1848; Knight, 1921; Gartner, 1985). Early writers, such as McClelland, stated that entrepreneurs are high in their need for achievement motive and therefore prefer moderate levels of risk (Bowen and Hisrich, 1988). Brockhaus (1980) defined the propensity for risk-taking as the perceived probability of receiving the rewards associated with success of a proposed venture. An entrepreneur always considers about the consequences of his/her actions in his/her proposed business venture (s/he does not take any risk as a gambler) instead taking risk as a gambler s/he used to take moderate and calculated risks (Kent et al., 1982; Sexton and Similor, 1986; Chell et al., 1991).

An entrepreneur avoids the risk situation where success is perceived as pure game of chance (Bello, 1988). Davidson (1988) pointed out that, entrepreneurs risk taking propensity is situation dependent, they are risk reluctant in gain situation and risk seeker in loss situation. They are not risk lover as they traditionally said, they presume the risk associated with their project and they try to minimize it. They are therefore risk managers, not risk taker (Manimala, 1999).

There are so many personality traits identified with entrepreneurship like as: need for autonomy (Collins and Moore, 1970; Sexton and Bowman, 1985; Hisrich and Granchev, 1995; Kuratko et al., 1997), persistence (Kouri Isky, 1980; Sexton and Bowman, 1985), non-conformism (Nandy, 1973, Sexton and Bowman, 1985), tolerance to ambiguity (Schese, 1982; Sexton and Bowman, 1985), self-efficacy (Boyd and Vozikis, 1994), alertness (Kirzner, 1979). Kirzner (1979), in his concept of entrepreneurship alertness assumed that entrepreneurship involves the discovery of opportunities and resources to exploit them as the economy moves towards equilibrium. Kirzner (1977) in his further study assumed that people can not recognize all entrepreneurial opportunities rather fundamental attributes of people that determine who becomes an entrepreneur.

Therefore information and information-seeking behaviour form the central part of entrepreneurial alertness. Gaglio and Katz (2001) defined entrepreneurial alertness as a distinctive set of perpetual and information processing skills related to entrepreneurial opportunity identification. This alertness of entrepreneurship is closely related to opportunity recognition and perception, which links personal characteristics to process dimension of Gartner’s framework (1985).

Opportunity recognition and exploitation has had an essential part of the domain of entrepreneurship (Grundesten, H., 2004). Shane and Venkataraman (2000) defined entrepreneurship as the discovery and exploitation of opportunities. They presented a framework for entrepreneurship, which is comprised of existence, discovery and exploitation of entrepreneurial opportunities. Livesay (1982) stated that an entrepreneur perceives opportunity and assembles the assets necessary to exploit it. In his study Puhakka, V. (2007) stated that opportunity discovery strategy refer to behaviour of entrepreneurs, which aims at creating a strategic business concepts of new economic value. Distinctive opportunity discovery strategies are suggested to be; knowledge acquisition, competitive scanning, proactive searching, innovative behaviour, and collective action of entrepreneurs (see Ardichvill, Cardizo and Ray, 2003).

However, it is not meant that using these strategies separately is possible in order to discover opportunities but rather that these strategies are combined in opportunity discovery process. In his study Puhakka found that growth of a new venture was affected only by proactive searching, not by the other variables. He further stated that, the reason why the other variables (competitive scanning, collective action, and radius of business) has no affect on growth significantly, might be that these variables affected to growth through proactive scanning.

One reason for the improved understanding of the role of personality in the workplace is the development and application of psychometric meta-analysis, which allows researchers to mathematically cumulate streams of empirical findings (Hunter & Schmidt, 1990), and to examine the influence of research artifacts that are arduous for narrative reviews. Recently, Stewart and
Roth (2001) applied meta-analytic techniques to the entrepreneurship risk propensity literature, a research stream that narrative reviewers had concluded yielded only contradictory findings. They discovered that, when sampling error and measurement reliability were addressed, risk-taking propensity was related to entrepreneurial status.

References


