Entrepreneurial Deve...

Motivation is internal to man: Motivation cannot be seen because it internal to man. It is externalized via behaviour. It activates the man to m toward his / her goal.

A **Single motive can cause different behaviours:** A person with a sing desire or motive to earn prestige in the society may move towards to join politi attain additional education and training, join identical groups, and change h outward appearance.

Different motives may result in single behaviour: It is also possible th the same or single behaviour may be caused by many motives. For exampl if a person buys a car, his such behaviour may be caused by different motive such as to look attractive, be respectable, gain acceptance from similar group persons, differentiate the status, and so on.

Motives come and go: Like tides, motives can emerge and then disappea at other point of time. For instance, an entrepreneur overly concerned abou maximization of profit earning during his initial age as entrepreneur may turn his concern towards other higher things like contributing towards philanthrop activities in social health and education once he starts earning sufficient profits.

Motives interact with the environment: The environment in which we live a a point of time may either trigger or suppress our motives. You probably have experienced environment or situation when the intensity of your hunger picked up just you smelled the odour of palatable food. You may desire an excellent performance bagging the first position in your examination but at the same time may also be quite sensitive to being shunned and disliked by your class mates if you really perform too well and get too much of praise and appreciation from your teachers. Thus, what all this indicates is that human behaviour is the result of several forces differing in both direction and intent.

10.2 MOTIVATIONAL CYCLE OR PROCESS

As stated earlier, motivation is a process or cycle aimed at accomplishing some goal. The basic elements included in the motivational process are motives, goals, and behaviour. These are discussed as follows:

Motives: Almost all human behaviour is motivated. It requires no motivation to grow hair, but getting a hair cut does. Motives prompt people to action. Hence, these are at the very heart of motivational process. Motives provide an activating thrust towards reaching a goal. The examples of the needs for food and water are translated into the hunger and thrust drives or motives. Similarly, the need for friends becomes a motive for affiliation.

Goals: Motives are directed towards goals. Motives generally create a state of physiological or psychological imbalance. Attaining goals restores balance. For example, a goal exists when the body of the man is deprived of food and water. One's personality is deprived of friends or companions.

followed by its various aspects like the theories of motivation, achievement motivation and its development, and entrepreneurial motivational behaviour. Let us begin with explaining the meaning of entrepreneurial motivation.

10.1 MEANING OF ENTREPRENEURIAL MOTIVATION

Let us first understand the meaning of the term 'motivation,' in general. This will help us understand and explain the meaning of the term 'entrepreneurial motivation'.

The word motivation originally comes from the Latin word *movere*, which means "to move". The term motivation has been derived from the English word 'motive'. Motive is an inner state of our mind that moves or activates or directs our behaviours towards our goals. Motives are expressions of a person's goals or needs. They give direction to human behaviour to achieve goals or fulfill needs. Motive is always internal to us and is externalized via behaviour.

Let us give some definitions on motivation.

According to *Fred Luthans* (2010: 15), "Motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or incentive."

Stephen P. Robbins (2010) defines motivation as "the willingness to exert high levels of effort toward organizational goals, conditioned by the effort and ability to satisfy some individual need."

In the opinion of *Gray and Starke* (1988: 104), "Motivation is the result of processes, internal or external to the individual that arouses enthusiasm and persistence to pursue a certain course of action."

Based on above definitions, now motivation may be defined as one's willingness to exert high level of efforts towards the accomplishment of goal or fulfillment of need. Accordingly, the entrepreneurial motivation may be defined as the process that activates and motivates the entrepreneur to exert higher level of efforts for the achievement of his/her entrepreneurial goals. In other words, the entrepreneurial motivation refers to the forces or drive within an entrepreneur that affect the direction, intensity, and persistence of his / her voluntary behaviour as entrepreneur. So to say, a motivational entrepreneur will be willing to exert a particular level of *effort* (intensity), for a certain period of *time* (persistence) toward *a particular goal* (direction).

The need for and significance of entrepreneurial motivation in running an enterprise can best be appreciated as: *"While an organization is like a vehicle, entrepreneurships as driving and the entrepreneurial motivation as fuel or power that makes the organizational vehicle move or run."*

Nature of Motivation

The nature of motivation emerging out of above definitions can be expressed as follows:

Behaviour: Behaviour is a series of activities to be undertaken. Behaviour is directed to achieve a goal. For example, the man goes to saloon to cut his hair. An entrepreneur establishes his enterprise to earn profits.

Human behaviour is characterized by *three features*:

1. Behaviour is caused, *i.e. needs*.
2. Behaviour is motivated, *i.e. drive*.
3. Behaviour is directed, *i.e. goal*.

Diagrammed simply, the motivational process or cycle is now presented in Figure 10.1:
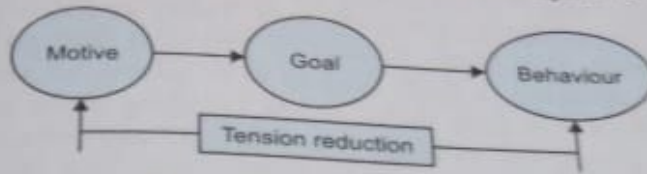

Figure 10.1: Motivation Process

10.3 THEORIES OF ENTREPRENEURIAL MOTIVATION

The importance of motivation to human life and work can be judged by the number of theories that have been propounded to explain people's behaviour including entrepreneurs' behaviour. They explain human motivation through human needs and human nature. Prominent among these theories particularly relevant to entrepreneurship are *Maslow's Need Hierarchy Theory* (1943: 370-396) and *McClelland's Need for Achievement Theory* (1961). These are described one by one.

Maslow's Need Hierarchy Theory

Abraham Maslow's motivation theory is based on the human needs. These needs are classified into a sequential hierarchy from the lower to higher order as five need clusters as shown in the following Figure 10.2:

Figure 10.2: Maslow's Need Hierarchy Theory

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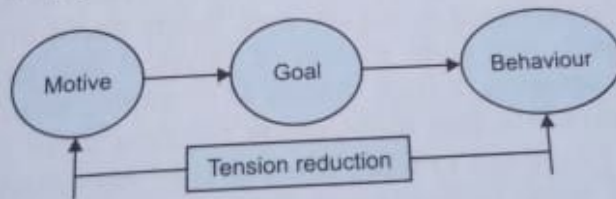

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Maslow's Need Hierarchy Theory

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The above five need-clusters are now discussed in seriatim:

1. **Physiological Needs:** These needs are of the lowest-order and most basic needs of human beings. These involve satisfying fundamental biological drives, such as the need for food, air, water, cloth, and shelter generally expressed in the names of *roti, kapada aur makan*. These needs exert tremendous influence on human behaviour. Entrepreneur also being a human being has to meet his physiological needs for survival. Hence, he / she is motivated to work in the enterprise to have economic rewards to meet his / her basic needs.

2. **Safety and Security Needs:** The second level of need in Maslow's hierarchy is emerged once physiological needs are met. Safety needs involve the need for a secure environment, free from threats of physical and psychological harm. These needs find expression in such desires as economic security and protection from physical dangers. Meeting these needs requires more money and, hence, the entrepreneur is prompted to work more in his/ her entrepreneurial pursuit. Like physical needs, these become inactive once they are also satisfied.

3. **Social Needs:** Man is social animal. These needs, therefore, refer to belongingness or affiliation. All individuals want to be recognized and accepted by others. Likewise, an entrepreneur is motivated to interact with fellow entrepreneurs, his employees, and others.

4. **Esteem Needs:** These needs refer to self-esteem and self-respect. These include such needs that indicate self-confidence, achievement, competence, knowledge, and independence. In case of entrepreneurs, the ownership and self-control over enterprise satisfies their esteem needs by providing them status, respect, reputation, and independence.

5. **Self-Actualization:** The final step under the need hierarchy model is the need for self-actualization. This refers to self- fulfillment. The term 'self-actualization' was coined by Kurt Goldstein and means to become actualized in what one is potentially good. An entrepreneur may achieve self-actualization in being a successful entrepreneur.

In Maslow's above need hierarchy theory, human needs are arranged in a lowest to the highest order. The second need does not dominate unless the first is reasonably satisfied and the third need does not dominate until the first two needs have been reasonably satisfied. This process goes on till the last need. This is because man is never satisfied. If one need is satisfied, another need arises. Once a need is satisfied, it ceases to be a motivating factor. For entrepreneurs, it is mainly social, esteem, and self-actualization needs which motivate them to work more and more for satisfying them.

McClelland's Need for Achievement Theory

Another well-known need-based theory of motivation, as opposed of needs or satisfaction-dissatisfaction, is the theory developed by

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McClelland's Need for Achievement Theory

Another well-known need-based theory of motivation, as opposed to hierarchy of needs or satisfaction-dissatisfaction, is the theory developed by David C. McClelland and his associates. McClelland developed his theory based on Henry Murray's (1938) developed long list of motives and manifest needs used in his early studies of personality. McClelland's need theory is closely associated with

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learning theory, because he believed that needs are learned or acquired by the kinds of events people experience in their environment and culture. He found that people who acquire a particular need behave differently from those who do not have. His theory focused on Murray's three needs: achievement, power, and affiliations. In the literature, these three needs are abbreviated as "n Ach", "n Pow", and "n Aff" respectively. A brief description of these three follows:

Need for Achievement ("n Ach"): This is the drive to excel, to achieve in relation to a set "standard, and to strive to succeed. In other words, need for achievement is a behavior directed towards competition with a standard of excellence. McClelland found that people with a high need for achievement perform better than those with a moderate or low need for achievement, and noted regional, national differences in achievement motivation. Through his research, McClelland identified the following six characteristics of high need achievers:

1. High-need achievers have a strong desire to assume personal responsibilities for performing a task or finding a solution to a problem.
2. High need achievers tend to set moderately difficult goals and take calculated risks.
3. High need achievers have a strong desire for performance feedback.
4. They have need for achievement for attaining personal accomplishment.
5. They look for challenging tasks.
6. The high need-achievement individuals are not buck-passers.

Need for Power ("n Pow"): The need for power is concerned with making an impact on others, the desire to influence others, the urge to change people, and the desire to make a difference in life. People with a high need for power are people who like to be in control of people and events. These result in ultimate satisfaction to man.

People who have a high need for power are characterized by:

1. A desire to influence and direct somebody else.
2. A desire to exercise control over others.
3. A concern for maintaining leaders-follower relations.

Need for Affiliation ("n Aff"): The need for affiliation is defined as a desire to establish and maintain friendly and warm relations with other people. The need for affiliation, in many ways, is similar to Maslow's social needs. The people with high need for affiliation have the following characteristics:

1. They have a strong desire for acceptance and approval from others.
2. They tend to conform to the wishes of those people whose friendship and companionship they value.
3. They value the feelings of others.

As regards the above three needs, McClelland holds the view that all three needs may simultaneously be acting on an individual. But, in case of an entrepreneur, the high need for achievement is found dominating one.

need for achievement among the students. For this purpose, the success stories drawn from history and legends of the indigenous culture are introduced in course curriculum to induce in young minds the 'need for achievement' and strong desire to do something good/ great they grow up. This is because the younger minds are more susceptible to change.

Features of Achievement Motivation

Achievement motivation can be better understood by knowing its salient features. These are as follows:

- It is lateral personal disposition to strive for a particular goal.
- It's person's deep and driving desire to do something important to attain the feelings of personal accomplishment.
- It is personal disposition to achieve something difficult and bigger.

Thus, it becomes clear that achievement motivation is basically the predisposition or inner urge or inclination of an entrepreneur to accomplish something important and unique to attain a feelings of self-accomplishment and satisfaction.

Characteristics of Entrepreneurs with Achievement Motivation

Entrepreneurs with achievement motivation are characterized by the following attributes:

- They like to undertake risks for personal accomplishment.
- They have high level of perseverance to attain their goal. They do not give up even failure after failure. But, they try again and again till the goal is not achieved. They follow the apt proverb: *'Fall seven times, stand up eighth.'*
- They show courage and fortitude to keep on moving toward their goal instead of adversities.
- Entrepreneurs with high level of achievement motivation tend to be more creative and innovative.
- They tend to be more future-oriented.
- Such entrepreneurs are more adaptive and mobile.
- Last but no means the least, entrepreneurs with high level of achievement motivation do not feel contentment, but always have desire for more and more.

Significance of Achievement Motivation

The main significance of achievement motivation lies in the fact that it serves as fuel to activate entrepreneurs to exert more and higher level of efforts to achieve something important to them. Here the apt saying of India's famous woman entrepreneur Shahnaz Hussain seems pertinent to appreciate significance of achievement motivation. "Achievement depen_____ how you want to achieve." The significance of achievement motiva_____ e is with multiplicity of justifications as follows:

i.e. Malawi, India, and Ecuador. He carried out a separate full-fledged ...urrage programme in India to instill achievement motivation in the minds ...entrepreneurs. His successful experiment is popularly known as "**Kakinada** ...enment." Following is a brief description of this experiment.

...inada Experiment

Kakinada is an industrial town in Andhra Pradesh. The experiment started ... Kakinada 1964. The main objective of the experiment was to break the barrier ... January aspirations by inducing achievement motivation. A total of fifty two ...limited were selected from business and industrial community of the town. ...sons were given an orientation programme at Small Industry Extension Training ...they were (SIET), now NIESIET, Hyderabad. The participants were grouped into ...itute batches. They were put under training for 3 months.

...three The training programme was designed in such a way that it could help the ...nainees improve imagination and enable them to have introspection of their ...motivation. Accordingly, the programme included the following items in its ...syllabi:

1. The individuals strived to attain concrete and regular feedback.
2. The participants sought models of achievement to emulate.
3. The participants thought of success and accordingly set plans and goals.
4. The participants were encouraged to think and talk to themselves in a positive manner.

The impact of this training programme on the participants' behaviour was observed after a period of two years. The observations were quite encouraging. It was found that those attended the programme performed better than those did not. The participants' need for achievement was assessed by using Thematic Apperception Test (TAT). In this TAT, ambition related pictures were displayed to the trainees and then they were asked to interpret the pictures and what is happening in the picture. Thereafter, all the themes related to achievement were counted and, thus, the final score represented one's need for achievement. McClelland reached to this conclusion that the training programme positively influenced the entrepreneurial behaviour of the participants. As regards caste, the traditional beliefs and imitation of western culture, they did not determine one's behaviour as an entrepreneur.

That the need for achievement motivation can be developed more especially in younger minds is well supported by the cross-country experiments. For example, Junior Achievement Programme' is started in the United States of America with a view to instill achievement motivation in the minds of younger generation. Similarly, in United Kingdom, "Young Enterprise" programme has been started in the same objective of inducing achievement motivation in younger minds.

The above said experiments/programmes have made us realize that entrepreneurship is to be developed from a very young age. Accordingly, efforts have been made to develop a school curriculum that would result in a high

need for achievement among the students. For this purpose, the success stories drawn from history and legends of the indigenous culture are introduced in course curriculum to induce in young minds the *'need for achievement'* and strong desire to do something good/ great they grow up. This is because the younger minds are more susceptible to change.

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- It is an essential ingredient and hallmark of entrepreneurship development

Empowering Stage : With an objective to give confidence to the trainees, they are, in this stage, left their own to think and practice the ways and means to experiment the new qualities and traits they have so far acquired.

In summary, the EMT process can be diagrammatically presented as follows:

Entry Behaviour	→ where the trainee is
↓	
Discrepancy of Gap →	training need identified
↓	
Exit Behaviour	→ where the trainee out to be
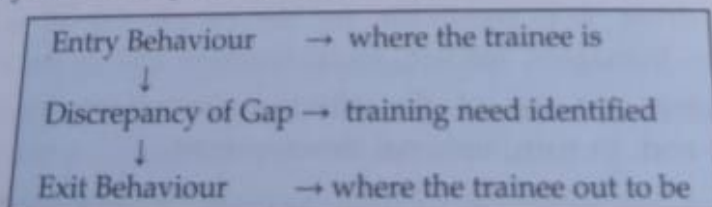
The various exercises and games that can be used for developing achievement motivation among the trainees are summarized as follows:

EXERCISE AND GAMES FOR EMT

Nos.	Exercises / Games	Objectives
1.	Micro-lab	To help trainees familiarize themselves with each other.

Entrepreneurial Motivation

leading to industrial and economic development.

* This serves the major sources of the entrepreneurial supply.
* This is a psychological construct that keeps entrepreneurs activated towards their goals.
* Being inner drive, it is significant for the people for all walk of life be entrepreneurs, managers, leaders, social workers and so on.
* This also serves as one of the effective inventions for organizational development and, in turn, national development.

The significance of achievement motivation in essence can be summed up by quoting Abraham Lincoln's apt statement; "*Always remember in your mind that your own resolution to succeed (i.e. achieve) matters the most that anyone thing.*"

How to Develop Achievement Motivation?

Behavioural experiments like "*Kakinada Experiment*" of David C. McClelland has proved beyond doubt that achievement motivation can be developed. It is with this realization; Assam started the noble experiment named "*Entrepreneurial Motivation Training Centres (EMTCs)*" way back in 1973 to develop achievement motivation among the prospective entrepreneurs. The concept of "*Entrepreneurial Motivation Training (EMT)*" now rechristened as "Entrepreneurship Development Programmes (EDPs)" is based on this belief that achievement motivation can be developed by imparting required training and education to the prospective entrepreneurs. *The modus operandi* of developing achievement motivation involves a process having the following three major stages:

1. Know your self stage
2. Knowing the destination stage
3. Empowering stage

Know Your self Stage: In this stage, the trainer presents and describes the ideal attributes or qualities of a person with achievement motivation. These are exemplified by suitable examples. Then, trainees are asked to probe into their personality to identify the attributes they possess. Self-assessment in supplemented by comments and observation by other trainees. Thus, the trainee comes to know the real self. A comparison of ideal with real self creates discrepancy or disequilibrium. Such knowledge of discrepancy induces trainee to reduce or eliminate the same for its better self. Thus, the process of change motivation sets in.

Knowing the Destination Stage: In this stage, the facilitator helps the trainee initiate actions to fill in the gap of remove the discrepancy between the ideal and the actual personality traits. Various measures like change in attitudes and beliefs and undertaking some experiential exercises can be initiated to close the gap between the ideal and the present personality traits. Efforts are made to practice the changed attitude and modification in behaviour in real life situations. The feedback, whatsoever, is continuously gathered and religiously analyzed.

4. Cash Flows: The ability of a business to discharge its fixed obligations depends upon the availability of cash, i.e. cash flows. As such more the cash inflows more will be the proportion of borrowed capital in the capital structure. Reverse will happen in a converse situation.

5. Purpose of Financing: The purpose of financing also affects the capital structure of the enterprises. In case funds are required for some directly productive purposes, for example, purchase of new machinery, the enterprise may rely on external sources for raising the required funds. This is because the enterprise will be in a position to pay the fixed charges, or say, interest out of the profits so earned. In contrast, in case the enterprise is required to raise funds for unproductive purposes like spending on the employees' welfare facilities, it will have to depend on owner's capital. In other words, it will raise funds by issue of equity shares.

6. Provision for Future: The scope of changing the capital structure in future happens to be a basic consideration for determining the capital structure of an enterprise. As a general principle, it will always be safe to keep the best security to be issued in the last instead of issuing all types of securities in one stroke only.

In this regard, what *Gerestenberg* opined is worth mentioning: "Manager of corporate financing operations must always think of rainy days or the emergencies. The general rule is to keep your best security or some of your best securities till the last."

17.4 CAPITALISATION

What is capitalisation? In common parlance, capitalisation means the tota' amount of capital employed in an enterprise. However, different scholars hav defined the term 'capitalisation' differently. These are broadly classified into tw categories: (1) Broad Sense, and (2) Narrow Sense. Let us discuss what these mean.

17.2.1 Internal Sources
17.2.2 External Sources

Let us have a cursory look at what these sources consist of.

17.2.1 Internal Sources

Under this source, funds are raised from within the enterprise itself. The internal sources of financing could be owner's capital known as equity, deposits and loans given by the owner, the partners, the directors, as the case may be, to the enterprise. One source for raising funds internally may be personal loans taken by the entrepreneur on his/her personal assets like Provident Fund, Life Insurance Policy, buildings, investments, etc. In addition to these, in case of a running enterprise, funds could also be raised through the retention of profits or conversion of some assets into funds. The cardinal principal of financial management also suggests that an entrepreneur should religiously plough back a good portion of his/her profits into the enterprise itself. However, the scope for raising funds from internal sources particularly in the case of small-scale enterprises remains highly limited.

17.2.2 External Sources

In short, funds raised from other than internal sources are from external sources. The external sources usually include the following:

1. Deposits or borrowings from relatives and friends and others.
2. Borrowings from the banks for working capital purposes.
3. Credit facilities from the commercial banks.
4. Term-loans from financial institutions.
5. Hire-purchase or leasing facility from the National Small Industries Corporation (NSIC) and State Small Industries Corporations (SSICs)
6. Seed/Margin money, subsidies from the Government and the financial institutions. If we now lump both the sources together, these can broadly be classified as follows:

- Personal funds or Equity Capital.
- Loans from relatives and friends.
- Mortgage Loans.
- Term-Loans.
- Subsidiaries.

It seems in the fitness of the context to present here the findings of a research study on small-scale industries in Kumaun Division of Uttarakhand (Khanka 1990: 17-28). This study covered 50 small-scale industries set-up by the first generation entrepreneurs. The information on how the entrepreneurs arranged their initial capital is presented in Table 17.1.