

An Investigation on Psychological and External Factors of Entrepreneurs for their Early Endeavor

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ABSTRACT:

Human beings are the most progressive species on earth. And this human being or people are become the most valuable resource within any country by developing themselves in different levels and different ways. These value-additions indicate the level of economic growth within a country. As an important tool of economic growth of any country some of them promote change and development by taking risk, these people may be called entrepreneurs. Entrepreneurs are among the most celebrated people in any country if they are successful. But all entrepreneurs are founders, creators and innovators and they as lead the nation its competitive circumference. However, very little is known today about the background, life history, motivations, and beliefs of the entrepreneur. This paper is aimed at helping to being filling some of those information gaps by providing deep insights into the background (socio-economic, educational, familial, professional etc.) and motivations of entrepreneurs. For this paper, we surveyed 30 company founders in a variety of industries, computer and electronics, health care, and services. We also inquired founders more detailed questions about their backgrounds, motivations, and experiences in launching companies.

Keywords: Entrepreneurship, Entrepreneurs, Characteristics of Entrepreneurs, Economic Growth, Industrial development

1. BACKGROUND OF THE STUDY

Entrepreneurship is a process undertaken by an entrepreneur to augment his business interests. It is an exercise involving innovation and creativity that will go towards establishing his or her enterprise. Entrepreneurship is a compose skill, the resultant of a mix of many qualities and traits, which include tangible factors as imagination, readiness to take risks, ability to bring together and put to use other factors of production, capital, labour and land as well as other intangible factors such as managerial skill, ability to mobilize scientific and technological advances etc. To satisfy human needs the entrepreneurs produce the products or services through their idea and creativeness. They produce products and services as well as in some cases they also create market demand, new management pattern, organizational culture etc. by their talent.

In all means, entrepreneurs have historically altered the direction of national economies, industries, or The characteristics of an entrepreneur differ from entrepreneur to entrepreneur, even though, the characteristics of an entrepreneur that contribute to success are the result of his achievement motivation.

2. REVIEW OF LITERATURE

2.1 The term Entrepreneur

An Entrepreneur is as like as volcano who always burning for introducing something new in the society by his own process, own enterprise. Entrepreneurs are founders, opportunities seekers, risk takers with his own and borrowed capital, organize business where none existed before and enjoy profit as rewards for their efforts as well as their livings. The origin of the word "Entrepreneur" is a French word, means 'between-taker' or 'go-between'. In the Earliest Period, a person borrowed money from the rich man with condition and had to bear all the physical and mental risks. When the person successfully sold the product or used the money properly with profits, the profits were divided with the capitalist (rich man) taking most of them (up to 75 percent), while the person (capital borrower) settled for the remaining 25 percent. In middle ages, the word Entrepreneur was used to describe both an actor and a person who managed large production project without risk, the risk went to the government. In the early sixteenth century it was applied to those who were engaged in military expeditions. Kilby (1971) pointed out the word "entrepreneur" was first used to refer to economic activities in the early eighteenth century by Richard Cantillon. In 18th century, the person with capital was differentiated from one who needed capital. The person with capital is called ventured capitalist (a professional money manager who makes risk investments from a pool of equity capital to obtain a high rate of return on the investment). The concept of entrepreneur varies from country to country as well as from period to period and the level of economic development thoughts and perceptions. But there is no doubt he is the change maker of the society, economy, culture, habit of the people etc. in simple word it may be every aspect. An entrepreneur runs for his/her own development and for the welfare of human beings by creating of new opportunities or new utilities. Entrepreneur is a self – employed person, who are not born but made by himself under congenial environment or opposite environment if it is his demand. Most of the Entrepreneurs at first start their enterprises with small capital, easy or simple technology, targeting local or domestic customers, using available opportunities and employees. And all these points refer the definition of small enterprise which is the back linkage of large industries. The task of entrepreneur or the process of creating something new and assuming the risk and reward is called entrepreneurship. So the entrepreneurship has been defined as consisting of two criteria – first one is involved with the unique knowledge of entrepreneur and second is the ability of entrepreneur as economic agents recognizes economic opportunities that can only or best be realized through the creation of a new enterprise to appropriate the economic value of that knowledge.

2.2 Characteristics of Entrepreneurs:

Characteristics of successful entrepreneurs have also been well documented. In almost all of the definition of entrepreneurship, there is agreement that we are talking about a kind of behavior that includes: (1) initiative taking, (2) the organizing and recognizing of social and economic mechanisms to turn recourses and situations to practical account, (3) the acceptance of risk or failure (Robert D.Hisrich and Michael P.Peters). As like Robert D.Hisrich and Michael P.Peters While there is no agreement among the scholars as to the number and labels of these characteristics, they in general include desire for responsibility, preference for moderates risk, and confidence stability, objective approach to interpersonal relationships, low need for status, and a comprehensive awareness of total environment (Olm and Eddy, 1985; Zimmerer and Scarborough, 1988; and ILO, 1994). Feather (1988) only refers to successful owner/managers as those who have entrepreneurial characteristics. According to Cunningham and Lischeron,(1991) successful owner/managers have been identified with a personal value type referred as entrepreneurial. They have also argued that entrepreneurs place high value on ambition, achievement, reliability, responsibility, hard work, competence, optimism, innovation, aggressiveness, honesty, creativity, social recognition and growth (Kotey and Meredith, 1997). Rotter (1966) refers to an entrepreneur as a person with a high internal locus of control higher internal locus of control shows that the owners are responsible for their own actions. Schumpeter (1950) an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Bird (1992) sees entrepreneurs as mercurial, that is, prone to insights, brainstorm, deceptions, ingeniousness and resourcefulness. They are cunning, opportunistic, creative, and unsentimental. According to Cole (1959) there are four types of entrepreneur: the innovator, the calculating inventor, the over-optimistic promoter, and the organization builder.

These types are not related to the personality but to the type of opportunity the entrepreneur faces. Collins and Moore (1970) studied 150 entrepreneurs and concluded that they are tough, pragmatic people driven by needs of independence and achievement. They seldom are willing to submit to authority. According to Say (1803) was the first among the classical economics to write about entrepreneurship to him, an entrepreneur is the economic agent who unites all means of production, the labour force to force of the one and the capital or Land of the others and who finds in the value of the products which results from their employment, the reconstitution of the entire capital that the utilize and values of the wages, the interest and the rent which he pays as well as profit belonging to himself. One of the noted economists of the 19th century, Schumpeter (1934) is of the view that an entrepreneur is a catalytic agent of change. He/She is in a position to transform the various inputs like physical, natural and human resources into produce channels. According to Drucker (1994) defined an entrepreneur as one who always searches for change, responds to it and exploits it as an opportunity. Innovation is the specific tools of entrepreneurship the means by which they exploit change as an opportunity for a different business / service. Shapero (1975) pointed out an entrepreneur takes initiative; organize some social–economic mechanisms. But he is the person who knows the art of changing the production function for using the economic potential of various factors of production. According to Hisrich (1989) an entrepreneur is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial psychological and social risks and receiving the results rewarded of monetary and personal satisfaction. The characteristics of achievement motivated persons as identified by McClelland (1961). Successful entrepreneur must be a person with technical competence, initiative, good judgment, intelligence, leadership qualities, self – confidence, energy, attitude, creativeness, fairness, honesty, tactfulness and emotional stability. Timmons (1994) analysis of more than 50 studies found a consensus around six general characteristics of entrepreneurs :(1) commitment and determinations ;(2) leadership (3) opportunity obsession; (4) tolerance of risk, ambiguity and uncertainty; (5) creativity, self – reliance and ability to adapt; and (6) motivation to excel. A related stream of research examines how individual demographic and cultural backgrounds affect the chances that a person will become an entrepreneur and be successful at the task. Binachi (1993) review indicates these characteristics include (1) being an offspring of self –employed parents; (2) being fired from more than one job;(3) being an immigrant or a child of immigrants ;(4) previous employment in a firm with more than 100 people ;(5) being the oldest child in the family and being a college graduate. Hashim, Wafa, and Suliman (1999) have proven empirically that entrepreneurial characteristic of the owner / managers are closely related to the success of the firm. A study specific in this industry is very important because the characteristics of the owner/manager have been shown to be influenced by industry practices (Box, White, and Barr, 1993). Entrepreneurial success (ES) depends on the characteristics of personal profile and motivational factors of the entrepreneurs that lead to superior performance of the entrepreneur (McClelland, 1985). Murthy,Shekhar and Rao (1986) found that entrepreneurs are motivated to start a business because of the factors like ambitious factors, compelling factors and facilitating factors. Whatever may be the reason, it can be said that in most of the times of the history of human civilization, there were entrepreneurs who did independent business and this trend of history still continues. For the last few decades in all over the world, entrepreneurs are regarded as value adding people to the society. Being a high –achieving entrepreneur is not that easy. An entrepreneur should have several special characteristics that help them to become a successful businessman. An entrepreneur should be a risk taker; he/she should be innovative, self-confident, goal setter, hard worker, and obliged (Siropolis, 1997). In other words, entrepreneurs must be persistent, self-confident, creative, and optimistic and independent minded (Holt, 1992). They are realistic about working hard and driving toward measurable results, tend to have superior conceptual abilities and are generally emotionally stable (Welsh and White, 1981) In an on Entrepreneurship conducted at the east-west center, Honolulu, in 1977 a list of characteristics and traits of the entrepreneurs was prepared (Meredith, Nelson, and Neck, 1982). This list says an entrepreneur should have characteristics like self-confidence, task result orientation, and risk taking, leadership, and originality and future orientation. It is not necessary that an entrepreneur should have all these characteristics at a very high rate. But the more a person has these qualities, the greater chance there is for him/her to become an entrepreneur (Meredith, Nelson, and Neck, 1982) because he/she will be able to perform the ‘entrepreneurial functions’ properly because of these traits. Khanka (1999) says, the three broad categories of an entrepreneur’s function: Risk taking, organization and innovation. Hisrich and peters (1998) also characteristics entrepreneurship as a process of creating something new and assuming the risks and rewards. Kourilsky (1995) defined

entrepreneurship education as “opportunity recognition, marshalling of resources in the presence of risk and building a business venture”. In terms of the individual entrepreneur, research suggests that these people do have certain characteristics and character traits that make them stand out (Burns, 2001). These traits are well documented in the literature on the subject and include risk taking and the need for achievement (McClelland, 1961), locus of control (Rotter, 1966) and the desire for autonomy and deviancy (De vries, 1977). Islam, Mamum and Jahiruddin (1999) identified some critical factors for the small entrepreneurs of Bangladesh like risk taking, flexible persistent, action, achievement motivation, self-confidence, knowledge of the business for their success. Timmons (1978), in a review of literature, has identified 14 characteristics of an entrepreneur. These are : (1) drive and energy, (2) self – confidence (3) long – term involvement, (4) money as a setting, (7) moderate risk- taker, (8) dealing with failure, (9) use of feed – back, (10) taking initiative and seeking personal responsibilities, (11) use of resources, (12) competing against self imposed standards, (13) internal locus of control, and (14) tolerance of ambiguity and uncertainty. Based on the above literature, various studies have been done on this area, but a detailed study has not yet been conducted in Bangladesh context. Hence the present study is made on “Internal and External factors of Entrepreneurs to establish as Entrepreneurs in Bangladesh context”.

Most of the study stated that entrepreneur’s plays very important role in affluence of a state alike Bangladesh. So we can say that, entrepreneurs are very important to create multi-dimensional opportunities for the societies. So far my understanding, no exhaustive study-work on their internal and external behavioral pattern which influence them to be entrepreneurs yet been taken done on this area. The study is an attempt to fill in this gap.

3. OBJECTIVES OF THE STUDY

Broad objective of the study is to analyze the entrepreneurial characteristics of Bangladeshi entrepreneurs.

Specific objectives of the study are as follows:

1. To find out the psychological features of entrepreneurs of Bangladesh.
2. To examine the external factors of entrepreneurs for starting up their journey.

4. SCOPE OF THE STUDY

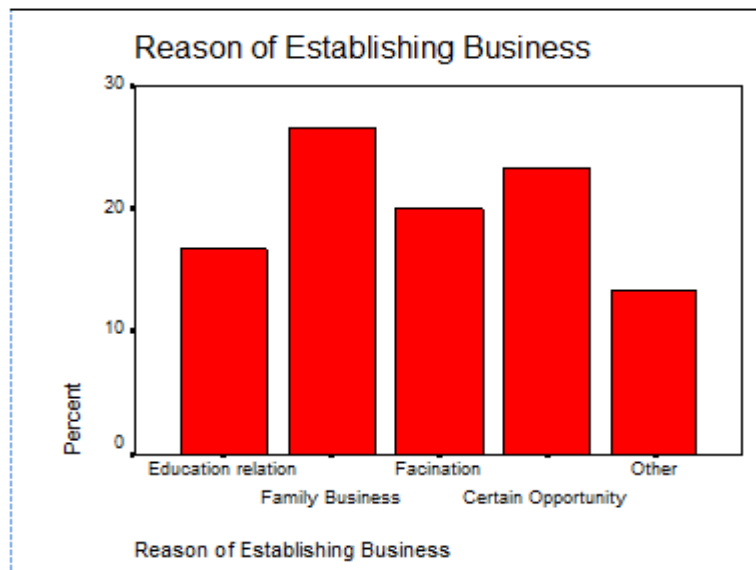
The study also included a survey of the small-scale entrepreneurs in order to measure the characteristics. Though time and fund was limited and that resulted in only thirty (30) samples yet there exists enough data to analyze the psychosocial patterns behind entrepreneurship.

5. METHODOLOGY AND SAMPLING DESIGN

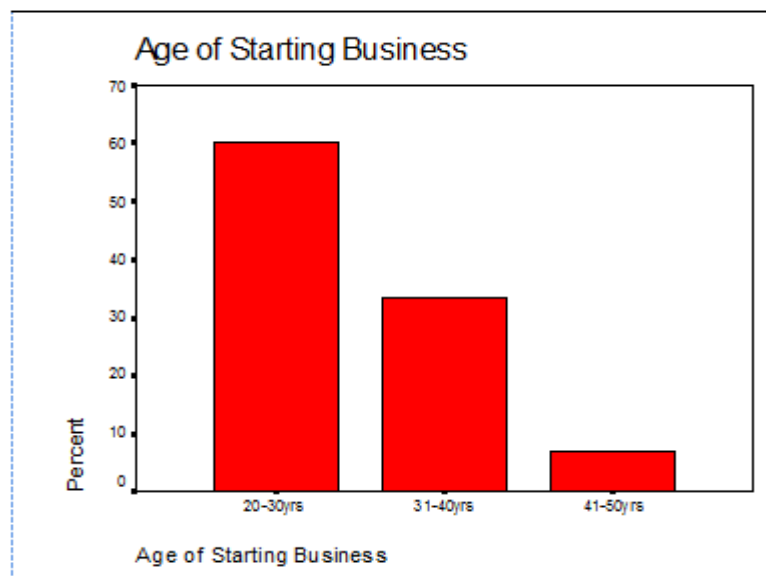
This study is an empirical study, based on the primary and secondary data. Considering the nature of the present study, a combination of structured questionnaire was used in order to collect relevant information from a sample of 30 small scale entrepreneurs. A total of 30 small scale entrepreneurs were randomly selected from different areas in Bangladesh. Random sampling method is used to select the entrepreneurs. Ultimately the present study will be made with the samples of thirty (30). A well known statistical package SPSS (Statistical Package for Social Sciences) was used in order to analyze the data. And secondary data were collected from books, journals, etc.

6. ANALYSIS OF RESULTS

According to the Table 01 higher percentages that is 26.7% people establishing their selves as business men because their families already familiar in business, 23.3% people focus on certain opportunity, 20.0% prefer their own fascination for the businesses, 16.7% people establish their businesses for their educational background and only 13.3% people run for other reasons.

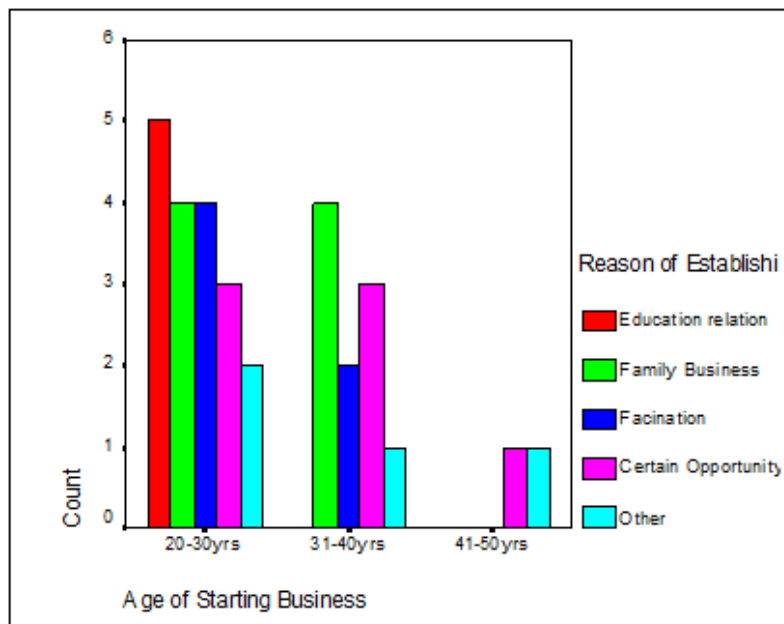


At the same time Table 02 shows that, 60.0% of people start their businesses when their age 20-30years, 33.3% for age group 31-40 years and only 6.7% start when they are belong to 41-50years or above.



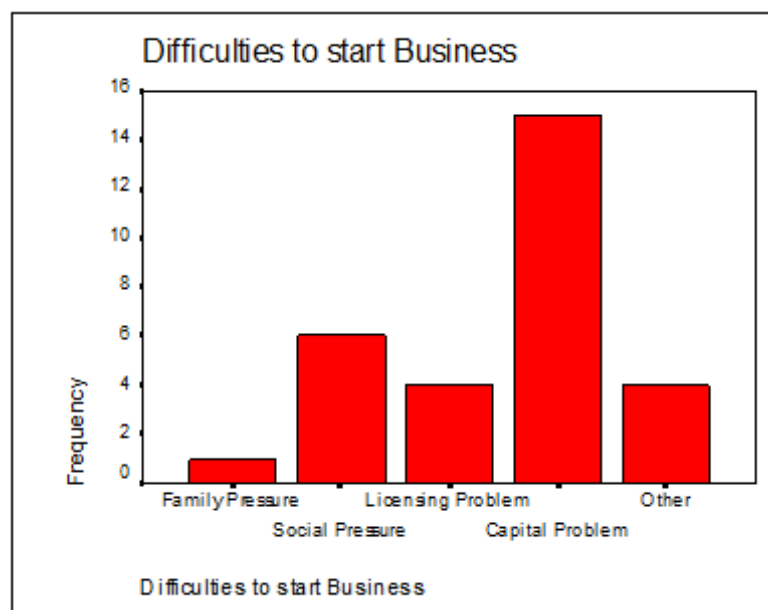
If we do cross tabulation between Age of Starting Business and Reason of establishing Business, we get another dimension-

Age of starting business Years	Reason of Establishing Business					Total
	Educational relation	Family business	Fascination	Certain opportunity	other	
20-30	27.8%	22.2%	22.2%	16.7%	11.1%	100.0%
31-40	0%	40.0%	20.0%	30.0%	10.0%	100.0%
41-50	0%	0%	0%	50.0%	50.0%	100.0%

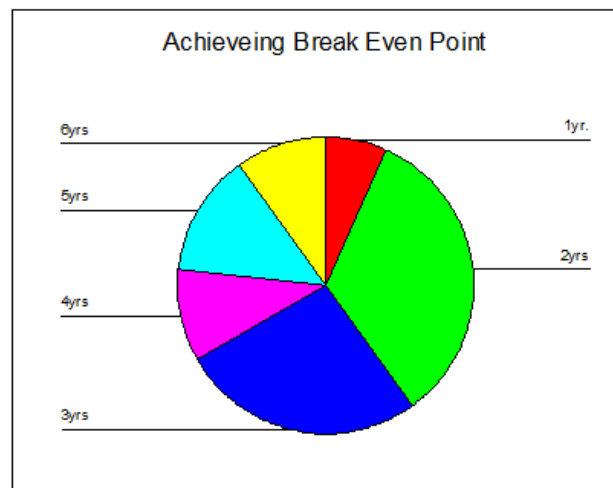


To start a business the entrepreneur has to face lot of difficulties but the opinions or finding facts are different from entrepreneur to entrepreneur.

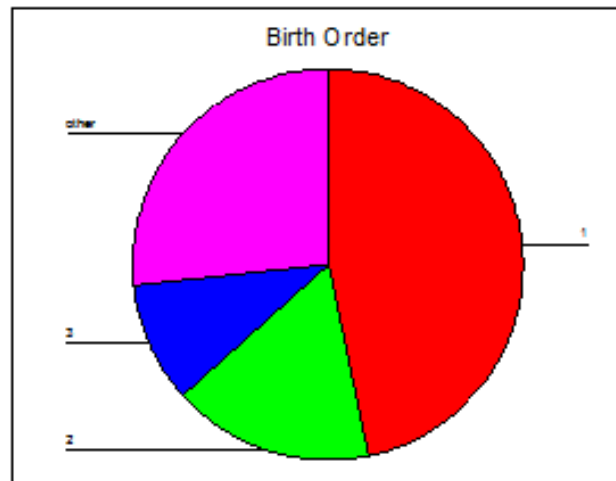
According to Table- * 50.0% business men think capital problem is the main difficulty to start business in Bangladesh, 20.0% high light the social pressure to be a business man, 13.3% identify difficulty to get license and 3.3% face family pressure.



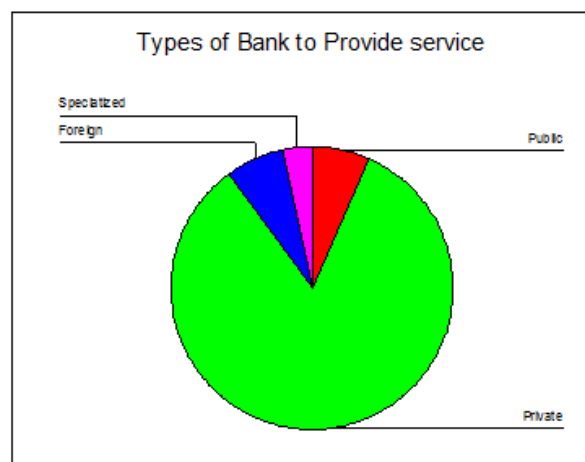
After starting the business every business man has to wait to achieve break even point. So within 1 year only 6.7% businesses touch the break-even point, maximum business get the point within 2nd year. And at mid or within 3rd year 26.7% were able to achieve the target.



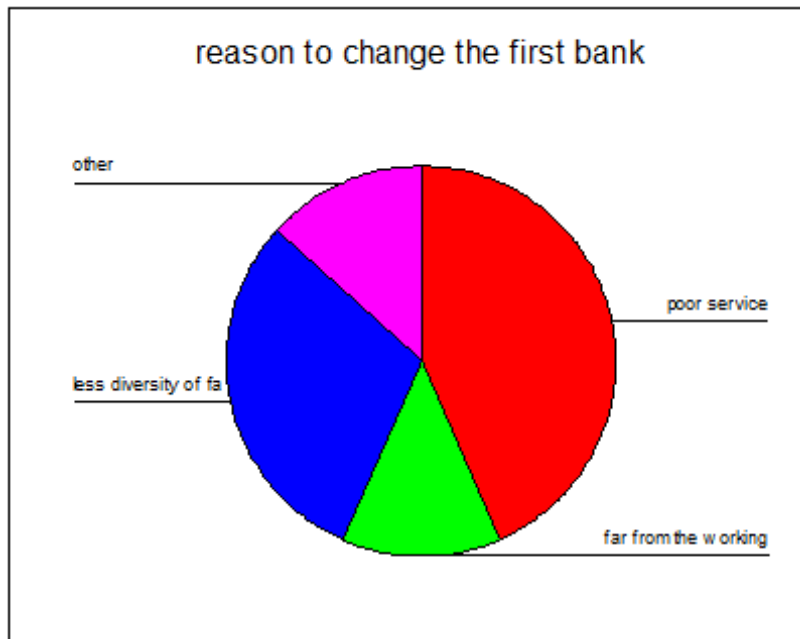
According to birth order 46.7% reflect that they are the first baby of his family, 16.7% reflects 2nd child, 10.0% are 3rd child but 26.7% are in other passion.



Most of the entrepreneurs (83.0%) believe private banks are providing the best service to them. 6.7%, for both public and foreign supporters. And 3.3% specialized bank.

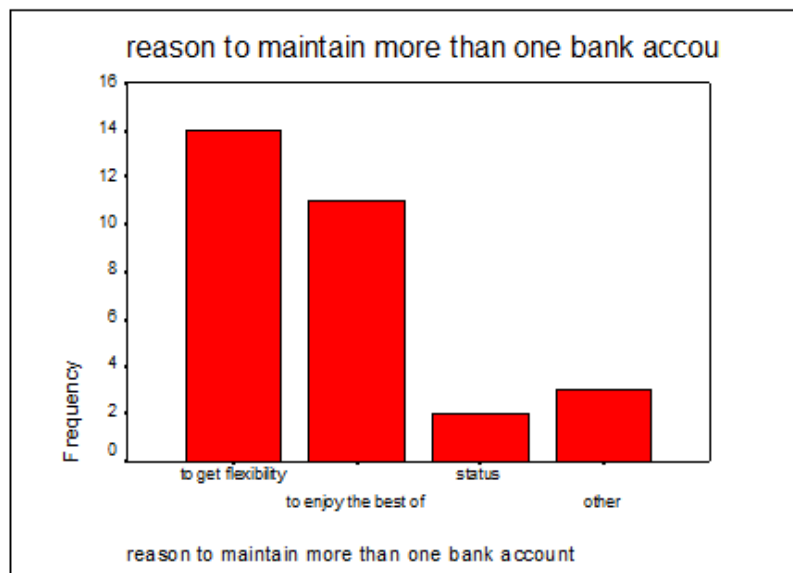


An entrepreneur would like to change his/her first bank for poor service (43.3%), far from the working place (13.3%), less diversity of facility (30.0%) & other reason 13.3%.

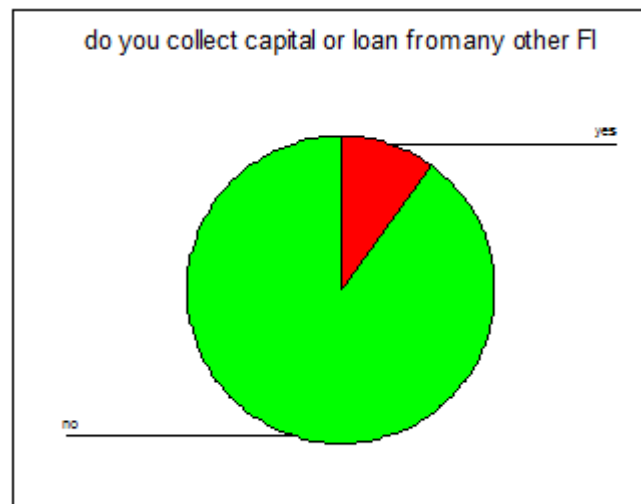


Some business men have to use more than one account to get flexibility (46.7%), to enjoy the best offer of the sector (36.7%), for status (only 6.7%)

And for other is 10%.



With all difficulties most of the entrepreneurs (90%) collect loan for their business running from banks. And only 10% collect from other financial institutes.



7. CONCLUSION

Recently, the young generation of Bangladesh is inclining towards entrepreneurship at a stupendous rate. The prospective businessmen develop a disposition towards entrepreneurship by being motivated by various psychological and external factors. At present, familiarity to commerce through family business is the main motivation behind the business initiative of most entrepreneurs. Relevant education also inspired entrepreneurship in a large group of businessmen. Most of the entrepreneurs initiated their business at the age of 20-30 years, who are majorly motivated through acquisition of business education. The prospective businessmen face many impediments to establish their business and insufficiency of capital is the complication most entrepreneurs had to deal with. As capital insufficiency is a major impediment in business establishment, most entrepreneurs depend on financial loans & funds from private banks and organizations. In spite of capital insufficiency being a drawback for entrepreneurs, prospective businessmen are nonetheless interested in entrepreneurship as the government endorses business initiatives in various technical fields including IT and Agriculture by providing financial assistance. This creates a reciprocal and developmental relation as the entrepreneurs are benefitted by the government assistance and the government benefits by the engagement of manpower in technical and trade sectors which contributes in reducing the unemployment rate and also enriches the sector immensely. The psychological and circumstantial factors are changeable and depend on every individual's psychosocial and economic factors.

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