

The Psychology of Entrepreneurship



Social Science

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ABSTRACT

For the last fifty years, history has seen a change that was not happened in any point of time before. The facts that how folks are affected and through what sort of characteristics individuals try to handle the situation has been a multi-dimensional issue and was studied thoroughly. Understanding interpersonal relationship systems that are based on fluctuation and competition was targeted and studies were carried out to determine what characteristics that individuals had in order to survive in this time. For over thirty years, the role of entrepreneurship in dealing with competition has drawn researchers' extensive interest. In spite of this, the concept of entrepreneurship hasn't had an operational definition that everyone agrees on because it is multi-dimensional and it is affected by so many variables.

Although entrepreneurship is mostly related with the fields of administration, management and economy, in fact it is an interdisciplinary subject. Entrepreneurship and enterprise as being a broad subject and conceptual field was studied within the field of psychology, at least at the beginning, more than the fields of economy, administration and management. The studies of psychology over entrepreneurship have played an important role for a detailed consideration of the concept and in giving the concept the vast meaning that is used now. These studies stated that entrepreneurial ability of individual is connected with societies' perception of success and to what extent individuals are affected by this perception

Psychological perspectives on entrepreneurship

Psychology's extensive interest for the subject matter of entrepreneurship at the beginning is closely associated with periodic interest to understand psychological dynamics of human behaviors. Studies that were focused over people's relationships with enterprises and organizations realized that not only enterprises affect individuals, but also individuals affect enterprises. Therefore, when the characteristics of individuals were studied, it was wondered whether individuals with entrepreneurial characteristics affect enterprises more strongly so they looked for an answer for the question of "Who is the entrepreneur?" In this process, the data about entrepreneurship that psychology obtained became popular and the relationship between entrepreneurship and the characteristics like risk-taking, uncertainty avoidance, power distance, need for achievement and risk-management has been studied.

2.0 Cognitive process of entrepreneurial thinking

There are not enough empirical studies to make clear connections between entrepreneurship and cognition because studies in this field are quite new. Cognition studies aim to understand how to achieve substantial learning mostly in order to see opportunities. It is known that learning and personality are shaped through and within the culture. In researches that were done over entrepreneurial personality, it has been discovered that culture is one of the factors that determine entrepreneurship; and this discovery increased the interest towards the relationship between cognitive process and entrepreneurship. The question of whether these similarities of people who show similar behavioral responses towards an incident despite their cultural differences associated with cognitive process has been asked more often recently This situation is a fact for entrepreneurial cognition as well.

2.1 What is entrepreneurial cognition?

In fact, it is more precise to ask the question of whether entrepreneurial thought exist. However, it is hard to have an argument over the existence or absence of entrepreneurial thought. Therefore, it seems that it is more appropriate to mention a certain entrepreneurial thought style and defining this certain style is more convenient. Entrepreneurial thought defines knowledge structure of people who use judgments, evaluations and decisions which include using opportunities, risk taking and growth.

Studies about entrepreneurial cognitions are directed towards understanding of how entrepreneurs associate gathered information that seems not related to each other and how they use

mental models. Entrepreneurship studies deal with the questions of why some people create new opportunities more easily than the others and how they decide to make more efforts to realize their dreams or what the main differences are between successful and unsuccessful entrepreneurs.

3. Entrepreneurship and personality

3.1 Entrepreneur's general personality traits

It is known that entrepreneurs are different from other people in terms of attitude, perspectives and some basic qualities. In other words, some people have the ability to see the new opportunities and are more skillful to fulfill their dreams about business whereas it is almost impossible for others to get that kind of achievement (Baron, 2000).

Frequent entrepreneurial qualities are given in Table 1.

1. Self-confidence	9. Reliability
2. Constancy	10. Prevision
3. Being active and energetic	11. Honesty
4. Skill	12. Commonality
5. Risk taking	13. Being profit-minded
6. Dynamizm & Leadership	14. The Ability of Learning from mistakes
7. Optimism	15. Desire for Power
8. Ambition	16. Good personality

(Source: Kuratko & Hodgetts (1998), p. Otd.in Aykan, 2002)

Table 1. Frequent entrepreneurial quality

According to the chart, individual entrepreneur is expected to have socially accepted values like honesty, trust, reliability, maturity, integrity, sympathy and socially approved emotions such as sensitivity, satisfaction, optimism. Besides, they are expected to have the ability of interpersonal communication skills like having good relationships, which include communicating and influencing other people so they must rely on employees. They are also expected to have the potential to improve life to a higher standard by working efficiently, being competitive and having self-confidence. Being energetic and having initiative are also required to be able to have the qualities like risk taking, leadership and the ability to focus on clear objectives. Therefore, studies associated with individual entrepreneur can be gathered around

some common qualities.

3.2 Entrepreneurship and self-efficacy

Self-efficacy is one of the main concepts of social-cognitive theory. It has been defined as the belief that one is capable of performing in a certain manner and how to be successful when he faces difficulties. The perception of self-efficacy affects one's behaviors at least in three ways: (a) one's choice of activities, which will be performed (b) one's performance quality (c) one's persistence in difficult tasks. It also increases the strength to overcome failures. The ones who do not have the belief of self-efficacy tend to emphasize their personal inefficacy and believe that potential obstacles cannot be overcome. There are four sources that affect one's beliefs about their self-efficacy: enactive mastery experiences, vicarious experiences, verbal persuasion and physiological and emotional situation. Enactive mastery provides the most realistic indications about ability of bringing sources together for achievement. Vicarious experiences, on the other hand contribute to self-efficacy by means of models.

3.3 Entrepreneurship and locus of control

How individuals attribute responsibility of their actions and whether these different attributions can be evaluated as personal traits of individuals became the focus of interest in psychology in 1960s. Multidimensional research was carried out by Rotter (1966) on the concept called locus of control for long years. The beliefs of having control over their destiny prevent them from doubting the process of personal transformation because they feel responsible for their actions. They form a strong relationship between their actions and the things going on around them.

This self-confidence and independence make these people less anxious, more active and more successful. They make more efforts and they are mostly future-oriented. The people who have internal locus of control are also efficient and innovative. They have very high level of self-control.

4. Entrepreneurship and culture

4.1 A general overview on entrepreneurship culture

Studies which have been carried out on entrepreneurship have showed that there are a lot of indicators of entrepreneurial behavior. An important part of these studies have focused on personal characteristics of individual entrepreneur or circumstantial properties. The studies that were focused on personal traits have claimed that entrepreneurship is an individualistic behavior. Therefore; they said that it is more important to understand the relationship between individualistic behavior and personal characteristics. Some other studies emphasize entrepreneurial qualities, and they think that culture must be the actual research field. They believe that it is impossible to understand an individual's entrepreneurial qualities without examining cultural properties of the society in which individual lives. In fact, these two propensities do not exclude each other. Both of them attach importance to each other's data and use it in their studies to improve them.

4.2 Value systems and entrepreneurship

Values are standards and principles that are accepted by the members of a society. Value, which is mostly nested within attitude are related to cultural properties that lie behind attitude. Values affect attitude and attitude affect behaviors (Sweney et al., 1999). Values guide individuals to act within reasonable social roles by drawing the outline of socially-accepted behaviors in a society. They structure individuals' interests in every field of their lives and the courage for actions of their interests. Values are effective in determining the standards that guide individuals for their actions about their jobs in working life and in their plans to solve conflicts.

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