

Factors Affecting The Entrepreneurial Decision

Suharda Ranasinghe

IIC University of Technology, Cambodia
Email: prasanshani@gmail.com
Suharda.Ranasinghe@esoft.academy

Ravindra Koggalage

University of Vocational Technology, Sri Lanka
Email: koggalage@yahoo.com

Abstract — An entrepreneur is an individual who is motivated in creating a new business by bearing most of the risk involved and at the same time enjoying the rewards of the business. Entrepreneur also can be considered an innovator, a creator of new ideas, goods, services as well as business procedures. They play a major role in the economy by using their skills and initiatives that are necessary in bringing new ideas to the market. An entrepreneur who is ready to take on the risks is rewarded with profits, fame as well as growth opportunities. Entrepreneurs that fail in their business suffer losses and become less established in the markets. An entrepreneur is a coordinator in a capitalist economy. Entrepreneurs are involved in moving various resources and promoting capital formation.

There are many ways of describing who the entrepreneur is, and one such is an individual who is motivated in creating a new business by bearing most of the risk involved and at the same time enjoying the rewards of the business. Further there are many reasons that impact the decision to entrepreneurship of an individual. These factors are classified as internal and external factors. Internal factors are generated from within an individual while external factors are externally supporting factors of an individual that supports the decision to entrepreneurship. In this research number of published journal articles were analyzed to identify the different motivating factors of individuals for their entrepreneurship decisions and to identify what are the factors that motivate them for their decision to entrepreneurship.

Keywords— *entrepreneurship; motivation; risk; new business*

I. INTRODUCTION

An entrepreneur is an individual who is motivated in creating a new business by bearing most of the risk involved and at the same time enjoying the rewards of the business. Entrepreneur also can be considered an innovator, a creator of new ideas, goods, services as well as business procedures. They play a major role in the economy by using their skills and initiatives that are necessary in bringing new ideas to the market. An entrepreneur who is ready to take on the risks is rewarded with profits, fame as well as growth

opportunities. Entrepreneurs that fail in their business suffer losses and become less established in the markets. An entrepreneur is a coordinator in a capitalist economy. Entrepreneurs are involved in moving various resources and promoting capital formation.

Entrepreneurial motivation is a process that transforms ordinary individuals into powerful businessmen who are able to create opportunities and is helping in maximizing wealth as well as economic development. It is defined as the different factors that impacts desires and activates the enthusiasm in entrepreneurs. It is a process that identifies the strengths and opportunities which helps in developing a new business. It further involves facing threats and risks that are involved with the new business idea. In order to become powerful entrepreneurs it is important to identify their strengths and motivations [1].

Entrepreneurs are well known for their firmness and commitment towards their ideas. They are committed towards delivering a project successfully. The key factor to sustain the same energy, creativity and drive is motivation for the entrepreneurs. Hence the role of motivation is vital for the success of an entrepreneur. Motivation factors are categorized as internal and external factors. The analysis is based on these factors that are considered as motivational factors for entrepreneurship.

II. LITRETURE REVIEW

Entrepreneurship happens with a drive to achieve ones dreams. For those that want to become entrepreneurs it is considered as an exciting journey in life. Building up one's own journey requires a huge dream and undying passion for that dream. This may not be an easy task but can be accomplished if an individual is ready to take the risk to achieve their dreams.

Motivation is the reason or reasons that make an individual to continue working for a goal. It provides hope when the situations become hard and discouraging. Hence it is considered as important in the decision of someone in embarking on their own journey or business. While it is important for entrepreneurs to find motivation to continue their work at the same time those that are engaged with the entrepreneur must also be motivated. It is considered important to keep everyone on the same page about the mission of the new business and working towards fulfilling it [2].

Motivation fulfils the higher levels of an individual's needs. These are recognition, esteem and self actualization. Motivation is explained as an influencing concept that brings out the hidden talents and creativity of entrepreneurs. It contributes to an individual's goals and development in the society. Maslow's hierarchy of needs and Hertzberg's two factor theory are some of the theories that identify an individual's need for entrepreneurship and motivation. The different stages in the hierarchy are evidence for the need of an individual to ultimately reach self actualization. Motivation provides the strength that is required to achieve a particular goal. The motivation for entrepreneurship is a psychological process where the different motivating factors affect in different levels. In some cases a single motivation can influence to become a successful entrepreneur [3].

Research has identified that there are few questions that must be asked from an individual before entrepreneurship begins.

1. What drives an individual to become an entrepreneur?
2. Whether an individual is ready to face challenges
3. If they are ready to multi task
4. If they value risks
5. If the individual is ready to deal with failures

The first question is related to what drives an individual to become an entrepreneur. There will always be times when businesses don't work according to the planned. At times as such it is important to realize the answers to this question. The next question is whether an individual is ready to face challenges. An entrepreneur needs to have patience and perseverance when developing a business. Businesses will reap benefits when the time is right. Hence it is important that an entrepreneur is ready to go through the challenging periods. The third question to ask is if they are ready to multi task. Multi tasking becomes important when running their business and at the same time an individual must be ready to learn new skills and techniques at the initial stage of the business. The next question which is important to ask is if they value risks. Entrepreneurs must be risk takers as the ultimate goal may not be visible at the initial stage hence it is important to be aware that there will be crisis situations that entrepreneurs must face. Final and most important question is to know if the individual is ready to deal with failures. Entrepreneurship ideas have chances of failing hence it is important to understand if they are ready to face these challenges and failures. To overcome failures and to bounce back is an important factor when an individual wants to become an entrepreneur [4].

Further there are psychological factors as well that affects decision for entrepreneurship. The need for achievement, the need for becoming a successful person and further could be due to withdrawal of status respect. Reasons such as seeking power,

prestige, providing service to the society and obtaining self esteems are some of the other psychological factors that impact the decision to entrepreneurship (Ahamed & Rokhman, 2015) [5].

III. RESEARCH METHODOLOGY

Many research articles are evaluated in order to identify the different motivational factors that affect the entrepreneurial decision of an individual. A detailed literature review is written in this paper by evaluating many research papers, journal articles and publications. The different motivational factors that are identified from the literature review analysis are evaluated in the results and discussion section of this research paper.

This research paper follows a qualitative research methodology where data and information is collected in a qualitative way by referring past research papers, journal articles and published work of previous researchers. Qualitative research method is defined as a market research method that obtains information through collection of data by interaction with humans and by referring already published research material available on different portals (Cropley, 2019) [6]. The outcomes of this research are given in the next section which is results and discussions section.

IV. RESULTS AND DISCUSSION

According to the in-depth literature review that was conducted on the area of research which is the factors affecting the entrepreneurial decision is also linked to the motivational factors of entrepreneurship. The factors that affect the entrepreneurial decision are identified and discussed in the following sections. There are many reasons why individuals decide to become entrepreneurs. They want to become entrepreneurs when they are not happy working for a single employer. At the same time it is important to note that becoming an entrepreneur requires accepting many risks. Hence this decision must be taken with careful consideration.

Some of the factors that are influencing the decision to entrepreneurship include creativity and lifestyle. When individuals are creative and have a motivation to develop their own product or service they do not feel comfortable working for an employer. They feel that they don't fit into the corporate culture of working for someone else (Stephan, et al., 2015) [1]. Entrepreneurs tend to realize that there is a lot that they can do if they step out of the corporate working culture. Further entrepreneurs prefer a life which isn't bound from eight to five in an office environment. Entrepreneurship means that individuals are required to work hard and long hours. At the same time an individual will be able to experience flexibility in their lifestyles (Poschke, 2013) [7].

Further individuals who decide to become entrepreneurs are passionate about learning new things. Entrepreneurs have the lust to learn more and

do not give an end to it. This is also a reason that individuals may decide to become an entrepreneur. Their need for self growth and interest in education will drive them towards becoming successful entrepreneurs. When an individual has the desire to learn new things at the same time they are open to new opportunities and is constantly looking at trying to improve their skills in that particular area [8].

The next factor that motivates individuals to become entrepreneurs is their ideas being unconventional. Entrepreneurs change the world with their creative ideas and imagination. Entrepreneurs that we see in the present day have all come up with new ideas for products and services which is an important factor to make the decision of entrepreneurship. Creative ideas and solutions are important to become a successful entrepreneur [9].

Their motivation to initiate and start new things is another factor influencing the decision to become an entrepreneur. The best reason to open a company or start a business is to make meaning and create a new product or service in order to make the world a better place. The motivation for exploring meaning and doing things to change the world drives individuals towards the decision to entrepreneurship. When individuals are not satisfied with their current situation in life they are motivated towards developing new ideas and solutions [10].

The need or motivation to change the world is another influencing factor for individuals to become entrepreneurs. Famous entrepreneurs had the great motivation to change the world and change the way in which things are being done. They see the importance of changing the way in which certain things are being done in the world [11].

Further a main factor influencing the decision to entrepreneurship is economical factors. Some individuals when they do not have any other choice are motivated towards becoming entrepreneurs. In order to start a business capital is one of the most important factors. When capital is increased in investment then profits are also increased. When capital is available an individual is able to bring together land, machinery and raw materials. When labour is available with the right type of skills then the growth of entrepreneurship is visible. Further when a new business is being developed there are raw materials that need to be included. When raw materials are not available it is not possible to establish a new business. Raw materials are considered as basic materials for production in a new business [12].

More over research has identified market and market conditions as also an important factor for the emergence of entrepreneurship. In a competitive world entrepreneurs can sustain only if there is a favorable market for their products or services. The

size and composition of the market are factors to be considered when making decision for entrepreneurship. At the same time when there is sufficient amount of infrastructure including land, transportation and communication facilities this impacts the decision for entrepreneurship positively [13].

The next important factors are social factors. The social factors affect the decision for entrepreneurship. The entrepreneurial behavior is strongly affected by social factors. An individual's beliefs, values and norms are some of the social factors. The caste of an individual, their social background and history, family background and economic status, level of education, understanding on the society, education system that an individual has been exposed to, the attitude of the society on entrepreneurship, attitudes on innovations and new business concepts and cultural values are some of the factors that influence the decision to entrepreneurship of an individual [14].

These factors are presented in table 01. Table 01 is a summary of the factors that were identified from the research and critical literature review.

Table 01: Summary of motivational factors influencing entrepreneurial decision

No.	Factors	Reference
1	Individuals being creative and feel that they can develop their own product or service.	Stephan, et al., 2015 Bauernschuster, et al., 2009
2	Preferring a life which isn't bound to eight to five working hours. Flexibility in their lifestyles.	Poschke, 2013
3	Passion for learning new skills and concepts. Need for self growth and interest in education.	Segal, et al., 2014
4	Need to make meaning and create new things when not satisfied with their current situation in life.	Xie, 2014
5	Need for changing the way in which things are being done in the world.	Moe, 2015
6	Economical factors and availability of resources.	de Silva, 2010
7	Size and composition of the market being favorable.	Li & Ge, 2019
8	Social factors; individual's believes, values and norms.	Yimamu, 2018

V. CONCLUSION

It can be concluded that entrepreneurship is a self decision of an individual. There are many reasons as to why individuals are motivated towards becoming an entrepreneur. Ranging from social to psychological to economical reasons there are other reasons as well that affects the decision to entrepreneurship and why individuals select entrepreneurship from working for an employer. While working for an employer can be a safer option for an individual there is always important factors that will affect and individual to become an entrepreneur, which means that this individual would have to step out from their comfort zone and must take risks and face challenges. Entrepreneurs are self motivated, ready to take risks and challenges and at the same time are motivated towards developing something new for the society. Hence this research identifies the different reasons and factors that affect the decision to entrepreneurship.

REFERENCES

- [1] Stephan, U., Hart, M., Mickiewicz, T. & Drews, C. C., 2015. Understanding Motivations for Entrepreneurship. 1st ed. s.l.:Department of Business Innovation and Skills.
- [2] Eshag, E. A. E. & Ibrahim, S. B., 2018. Motivation to Become Entrepreneurs: An Exploratory Study. *Journal of Economic and Management Sciences* , 19(1), pp. 196-202.
- [3] Maslow, A. H., 1943. A Theory of Human Motivation. *Psychological Review*, 1(1), pp. 370-396.
- [4] Alsafadi, Y., 2018. Step by step to become an entrepreneur. 1st ed. s.l.:s.n.
- [5] Ahamed, F. & Rokhman, W., 2015. The Role of Social and Psychological Factors on Entrepreneurial Intention among Islamic College Students in Indonesia. *Entrepreneurial Business and Economic Review* , 3(1), pp. 29 - 42.
- [6] Cropley, A., 2019. Introduction to Qualitative Research Methods. *University of Hamburg*, 1(2).
- [7] Poschke, M., 2013. The Decision to Become an Entrepreneur and the Firm Size Distribution: A Unifying Framework for Policy Analysis. *IZA Discussion Paper*, 1(1), pp. 2-49.
- [8] Segal, G., Borgia, D. & Schoenfeld, J., 2014. The motivation to become an entrepreneur. *The Emerald Research Register for this journal*, 11(1), pp. 42-57.
- [9] Bauernschuster, S., Falck, O., Gold, R. & Heblich, S., 2009. The Shadows of the Past: How Implicit Institutions Influence Entrepreneurship. *University of Jena, Graduate College*, 1(1), pp. 1-30.
- [10] Xie, C., 2014. Why Do Some People Choose to Become Entrepreneurs? An Integrative Approach. *University of Tampa*, 15(1), pp. 25-38.
- [11] Moe, J. Q., 2015. What does it take to become an entrepreneur?. *Innovation, Knowledge & Entrepreneurship*, 1(1), pp. 1-69.
- [12] de Silva, R., 2010. Business Start-up and Growth Motives of Entrepreneurs: A Case in Bradford, United Kingdom. *Manchester Business School*, 1(1), pp. 1-32.
- [13] Li, T. & Ge, J., 2019. Entrepreneurial Resources, Complementary Assets and Platform Sustainability. *MDPI*, 1(1), pp. 1 - 20.
- [14] Yimamu, N., 2018. Entrepreneurship and entrepreneurial motivation. *Centria University of Applied Sciences*, 1(1), pp. 1-34.