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Critical Evaluation of the Relationship between the Need for Achievement and Entrepreneurship Performance: Risk-Taking Propensity, Entrepreneurial Independence and Motivation

Ayanda Ncokazi and Pretty Thandiswa Mpiti

Abstract

To understand and explain entrepreneurial behaviour in businesses, previous studies observed economic factors, but the little emphasis was placed on the value of the entrepreneur as an individual in the business venture itself. However, it was an oversight to disregard the individuality of the entrepreneur’s personality and motivation for being an entrepreneur. Against this background, the study aimed to evaluate the relationship between the need for achievement and entrepreneurial performance thereby looking at some personality traits (risk-taking propensity, independence and motivation) of entrepreneurs in the Chris Hani District Municipality. The need for achievement as a personality characteristic was evaluated with the other characteristics. This literature suggests that the need for achievement could influence entrepreneurial performance. The study employed a descriptive research paradigm, and a stratified sampling technique was used to collect data from the participants. Data were collected using a questionnaire that was administered to 108 small- and medium-sized enterprise owners and managers in the Chris Hani District Municipality. The findings of this study indicated that the need for achievement has the potential to enhance entrepreneurship performance. Moreover, this study found that risk-taking, independence and motivation are the major components of the need for achievement as they serve as predictors of entrepreneurial success.

Keywords: need for achievement, risk-taking propensity: Entrepreneurial independence, entrepreneurship motivation, entrepreneurial behaviour, entrepreneurial performance, entrepreneurial success, locus of control
1. Introduction

Entrepreneurs are a dominant factor in an economy. They are creative and innovative, which bring about change, growth and wealth in the economy. They also re-energise economies, thereby creating jobs. Countries with a vibrant small and medium enterprise (SME) sector are said to have a low rate of unemployment with their gross domestic product (GDP) continuing to rise rapidly International Council for Small Business [1]. The Global Entrepreneurship Monitor stated that the Indonesian economy saw a decrease in the unemployment rate between 2011 and 2014. This decline was because of its healthy SME environment, which created more jobs in the same period [2]. In addition, 90% of GDP came from the SME sector. This is the reason why entrepreneurship has been receiving increased attention from both scholars and the public press; this is based on the contribution that entrepreneurship brings to economies. Abor and Quartey [3] state that SMEs contributed to about 91% of the formal business entities in South Africa, which accounts for approximately between 52 and 57% of the GDP and a further 61% of employer contribution.

Similarly, in Kenya, the small, medium and micro enterprises (SMME) sector comprises 98% of all businesses in the country, employing more than 4.6 million people, and accounts for 18.4% of the country’s GDP [4]. These findings on the SMME sector tended to focus on entrepreneurial activities, which are the entrepreneurship opportunities, and not on how the success came about, which is the entrepreneurial behaviour. Zayadin [5] states that there is doubt about the contribution and importance of entrepreneurship in economic development although it has been extensively studied in the recent years. Similarly, entrepreneurship plays a big role in the SME sector and is central to the growth of their business. Therefore, decisions in this sector depend solely on the so-called human factors, the personal characteristics of the entrepreneurs. However, to take advantage of opportunities is neither a self-evident indication nor a matter of chance, but is a result of clear, positively motivated business intentions and actions on the part of the entrepreneur, driven by the belief that they can produce the desired outcomes [6].

Given the importance of entrepreneur success in South Africa, the Chris Hani District Municipality (CHDM) provided funding to small businesses across the CHDM district to assist them in expanding their business footprint and to further enhancing local economic development. These grants were awarded to several selected business owners based on applications that met the set criteria. The main objective of the CHDM grants was to empower entrepreneurs, ensure the creation of sustainable enterprise development, contribute toward job creation and assist in advancing the regional economy. CHDM received more than 300 applications for these grants and 54 enterprises got selected [1]. An important employment trend in CHDM is that household employment, as well as self-employed people, surpasses both the national and provincial averages (57, 37 and 51%, respectively) thus requiring that concerted efforts be put in place with a view to addressing the unemployment challenges besetting the district [1].

In economic theory, growth is viewed as a natural phenomenon that occurs until profit is maximised; nevertheless, not all SME owners want to grow their businesses to maximise profit [7]. Some entrepreneurs are determined to grow their businesses into larger businesses and attain substantial growth because they are motivated and have a drive. Thus, to be motivated is a constant need. Motivation is defined as an internal drive that activates behaviour and gives it direction [8]. Motivation is generally regarded as the drive to achieve targets and the process to maintain the drive.
The theory of motivation by McClelland [9] provides a better understanding of the link between the need for achievement (N-Ach) as a personal trait and entrepreneurial activity [10]. It is believed that individuals with an achievement need that is high easily find themselves in entrepreneurship and this leads to a high success rate [11]. These individuals by nature are high achievers; they set goals for themselves, they are opportunity seekers and they find comfort by achieving targets goals that are challenging but not beyond their capabilities. Therefore, it is imperative to understand N-Ach as one of the entrepreneurship traits that motivate entrepreneurs to start a business venture and to strive for survival in their businesses. It is thus important to focus this study on the need for achievement to improve the service performance of entrepreneurs in the Chris Hani District, Eastern Cape.

2. Literature review

Entrepreneurship has become popular and a researched area in the recent years. Thaief and Mudalifah [12] conducted a study on the influence of LOC, N-Ach and entrepreneurial intention. The results of their study showed that the LOC of students makes their entrepreneurial intention stronger, and as a result, it affects their N-Ach to pursue or achieve their goals and targets. A study conducted by Chavez [13] found that entrepreneurs tend to have a high N-Ach compared with non-entrepreneurs. On the other hand, the psychology of individuals as measures of success through satisfaction, feeling of gratitude and preparedness is a major personal characteristic of entrepreneurs. According to Gorgievski and Stephan [14], the power and strengths are embedded deep within the psychology of individual entrepreneurs. Entrepreneurs understand that success is not only in monetary value but is also perceived psychologically. The personal characteristics of entrepreneurs are not limited to the ones discussed above, but due to the scope of this research, the researcher will limit the discussion to the ones discussed; the same characteristics will be further discussed in detail below.

2.1 Entrepreneurial need for achievement

Entrepreneurs are viewed as people who are guided by N-Ach, which is a drive to excel, advance and grow. McClelland [15] stressed that the most important factor for an entrepreneur is achievement orientation. Entrepreneurs are people who believe in success, and it is understood that not everyone who pursues entrepreneurship can succeed, but the motive is to succeed in the business. Success in any business venture comes only to those who are persistent and believe in achieving the goals. In a study that comprised 700 business students in one university in the United Arab Emirates, the personality dimensions of individualism/collectivism as well as introversion/ extraversion, alongside N-Ach, were examined to check their relative effects on entrepreneurial potential. The findings indicated that N-Ach (as a measure of motivation) is the most significant determinant of entrepreneurial potential [10]. This supports the idea that people who are high in N-Ach are more likely to have higher levels of entrepreneurial potential as an indication of their capacity and desire to engage in entrepreneurial activities.

According to Adesanya [16], external incentives have the potential to motivate entrepreneurs to be committed and to set goals that will yield good results and see the business grow. Incentives like financial support either from the private sector or from
government subsidies can attract individuals to enter the field of entrepreneurship and succeed in business. In addition, the government tax cut for certain categories of small business enterprises (SMEs) is meant to motivate the entrepreneurs to grow their businesses thereby bringing more innovative ideas that will make the entrepreneurs succeed in their entrepreneurial ventures [17]. Incentives can be generally understood as the influential factor and a motivator for entrepreneurship success since they make the entrepreneur commit more energy and time to grow the venture and also set goals that would be achievable to them.

2.2 Risk-taking and service performance

The question of why some entrepreneurs do not succeed with their businesses, while others do survive is one basic concern of entrepreneurial scholars nowadays. When starting entrepreneurial ventures based on discoveries and innovations entail a great deal of risk. In new businesses that pursue unexplored business opportunities with the intent of achieving substantial growth and above-average performance, the risk is an inescapable reality [6]. According to the trait approach, one characteristic an entrepreneur should have is the ability to take risks. Chimucheka et al. [18] suggested that the trait of risk-taking, along with creativity and flexibility, is a better indicator of the likelihood of starting a business than is achievement motivation. Taking risks is an inherent element to entrepreneurship, given the effect, it has on the constraining resources of the individual. Risk-taking involves acting, despite uncertainty or the presence of competitive threats. Risk-taking would take into account all of the resources that the entrepreneur or organisation would be willing to risk while pursuing this opportunity, such as profit, time and other less apparent opportunity costs [19].

A risk is an uncertain event that if it occurs, may either have a substantial positive or negative effect on a person. Therefore, the degree of risk on a person's work-life may differ, but no one can be identified and specified as a person working in a risk-free environment. Similarly, the work-life of entrepreneurs is also faced with different types of risks. As defined by Erasmus et al. [20], entrepreneurship is “the process of taking a risk and converting it into profit.” This definition simply suggests that risk-taking is the prime and important characteristic of entrepreneurship. Risk and entrepreneurship have a positive and very significant relationship. Without taking risk, there is no business, starting a business or for a business to commence, requires risk-taking from the side of the entrepreneur who is willing to even lose where profits are not made. Rishipal [21] argued that for the successful establishment, conduction and management of the business, an entrepreneur should be adaptive to risk. Risk adaptiveness is a mental state of the effectiveness and capability of an entrepreneur, which is rationally affected by the resulting negative elements of risk-taking, such as fear, excitement, uncertainty, insecurity, danger, threat, pressure and expectations for loss [21].

Risk-taking as a trait of entrepreneurs emphasises that individuals with high needs for achievement would have reasonable tendencies to take the risk [9]. However, the literature on entrepreneurship claims that the entrepreneurial process is usually undertaken under high uncertainty. Thus, entrepreneurs are expected to accept higher risks. Therefore, a lack of agreement on the nature of risk-taking is observed in the scientific literature [22]. Several meta-analyses are related to personality traits in the entrepreneurship domain [23, 24], and several studies aiming to disclose differences between entrepreneurs and managers [25] or employees investigated
risk-taking. However, conducted research provided mixed results and in many cases did not differentiate between entrepreneurs and other population groups.

2.3 Psychological capital of entrepreneurs

Linked to service performance is the aspect of a modern entrepreneurial mindset of job satisfaction, which then expresses the positive attitude of the entrepreneur about their business. Mokoena and Dhurup [26] ascertained that job satisfaction has a positive relationship with efficiency, performance and organisational commitment. Similarly, job satisfaction could be generalised as being associated with the positive mood and positive psychology of the entrepreneur. The psychological capital (PsyCap) is a structure that includes positive outcomes, in both personal and organisational levels, and improves human performance [27]. PsyCap relates positively to work performance, desired psychological outcomes and the general well-being of humans and in this case entrepreneurs [28]. The most recent empirical evidence in an entrepreneurship study shows a positive relationship, specifically between PsyCap and satisfaction among entrepreneurs [29].

In theory-based research, PsyCap is described as “a higher-order core construct consisting of four positive psychological resources,” which defines the features of PsyCap such as hope, confidence, optimism, resilience and efficacy. It can be said that PsyCap is a combination of all these four elements and that it can be “measured, developed, and effectively managed” for improving work performance [27]. Hope generally gives the entrepreneur some form of encouragement and motivation that through trust, the goals or objectives will be achieved. At the individual level, many entrepreneurs voluntarily keep faith in their ventures, hoping for success, and despite the facts that they know, few would get through, while the majority march into the Death Valley as observed by Bean [30]. In essence, the need for achieving is desired goals requiring a sense of agency and expectations, which provides people with an internalised determination and willpower to invest the energy.

When one is optimistic, it means the person has a positive expectation for the future, regardless of circumstances. Optimistic individuals accept new ideas and have positive emotions [28]. Furthermore, optimistic people expect that positive situations will happen that serves as positive PsyCap. Hmieleski and Carr [29] demonstrated that optimism and personal well-being have a positive relationship in PsyCap. Cavus and Gokcen [27] stated that optimism can be defined as a psychological intention and expectation to hope for the best possible and positive outcome, which can positively influence peoples’ mental and physical health.

Psychological resiliency is characterised as the ability for bouncing back, focusing on goals and successes [27]. Resilience as a dimension of PsyCap is something that entrepreneurs have accumulated to be successful in the work they do. In the meantime, research by Luthans and Youssef [28] supports that psychological resiliency is the coping skills of people in case of uncertainty, negative situations and obstacles; and according to Çetin and Basim [31], it contains in itself, the other components hope, self-efficacy and optimism.

Self-efficacy originates from Bandura’s [32] study widely used and accepted social cognitive theory. This theory first developed the theory of self-efficacy based on the premise that individuals are proactive agents as opposed to passive reactors to their environment. The instability in the business environment for new business establishments saw many researchers postulate that entrepreneurs succeed in their business
because of a strong sense of personal commitment (self-efficacy) to implement their
dreams and a keen eye for innovation to identify new products and markets [33].
Self-efficacy represents the general belief of people while they exhibit their perform-
ances and make a sense beyond the actual abilities that lead to completing tasks
[27]. It can be said that high self-efficacy can influence motivation on both positive
and negative sides. Self-confident people know how to improve their motivation.
They choose challenging tasks to extend their performance and motivate themselves
against the obstacles faced while working for accomplishing goals. Stajkovic and
Luthans [34] argued that there is a strong and positive relationship between self-
efficacy and performance.

2.4 Entrepreneurial motivation

Motivation is described as a desire to overcome a goal or value feeling activated,
goal-driven, incentivised, being inspired or an impulse to be moved to do something
and can be explained as someone being motivated [35]. However, a person who feels
no inspiration, incentive or drives to be moved to do something is understood to be
unmotivated. Motivation is a broad and complex field with various theories. For
example, Bruno et al. [36] explained how intrinsic motivations are intertwined with
the level of achievement.

Entrepreneurial motivation is important in the discussion of entrepreneurship.
Looking at the discussion of entrepreneurial characteristics above, it is not enough
to explain what makes an individual decide to pursue entrepreneurship. Bringing the
issue of entrepreneurial motivation to the study is fundamental to understanding
the reasons why individuals pursue entrepreneurship. Stephan et al. [37] stated that
entrepreneurial motivation is a psychological process in which not all the motives may
be influenced with the same force; it differs with the awareness levels of the individu-
als and factors responsible for the motivation. Motivation is classified along some
dimensions that are better predictors of growth expectations and business survival
and in turn the entrepreneurial success. These dimensions of entrepreneurial motiva-
tion are discussed in the following subsections.

3. Method

A descriptive and cross-sectional research design was employed in the study.
According to Polit and Beck [38], a descriptive research design is said to have a large
representation in which a researcher can obtain the participants’ views. A descriptive
survey research design was used in the study to collect data from the participants
and for analysis of data, which involved finding the mean and standard deviation of
the results, while a cross-sectional research method was used to analyse the rela-
tionship that existed between N-Ach and business performance. A cross-sectional
research method was also adopted because of time constraints and the costs involved,
and that data could be collected at one point in time and to find an answer to the
research questions. Sekaran and Bougie [39] argued that a cross-sectional design
comprises data that are collected from a population at one specific point in time.
The study further employed a stratified sampling technique to collect data from the
participants. Data were collected using a questionnaire that was administered to 108
small- and medium-sized enterprise owners and managers in the Chris Hani District
Municipality.
4. Results and discussion of findings

The interpretation of results and an analysis of the findings from data will be discussed in this section of the study to conclude the need for N-Ach and entrepreneurial performance.

4.1 Participants’ opinion on risk-taking propensity

The findings from the descriptive analysis show that most participants strongly agreed and agreed with the statement relating to entrepreneurial capability and risk-taking. Figure 1 shows that when participants asked about their willingness to take a risk on investment, 60% strongly agreed and 17% agreed. This is an indication that one of the characteristics an entrepreneur should have is the ability to take risks. When starting entrepreneurial ventures based on discoveries and innovations, it entails a great deal of risk. For new businesses that pursue unexplored business opportunities with the intent of achieving substantial growth and above-average performance, the risk is an inescapable reality [6].

Risk-taking as a trait of entrepreneurs emphasises that individuals with high needs for achievement would have reasonable tendencies to take the risk. However, entrepreneurship literature claims that the entrepreneurial process is usually undertaken under high uncertainty. Thus, entrepreneurs are expected to accept higher risk. The finding further suggested that even though no individual would risk by investing in a business that does not stand good chances of success, the risk is never avoidable in business. Therefore, entrepreneurs should always gamble on the type of risk they are to take before deciding on whether to risk the resources on the venture.

4.2 Entrepreneurial independence

The results in Table 1 indicate that 78% of the participants were open to new ideas and preferred working independently and 78.7% were moderate risk-takers. The table further shows that 85.1% of the participants set the goals they wished to achieve, while...
Motivation and Success

70.2% strongly agreed with the idea that they did not see negative feedbacks and challenges as a source of discouragement. Those who were either neutral or disagreed with their responses ranged between 2.1 and 10.6%, respectively. Independence is understood as overseeing your own business and is the dimension of achievement motivation that is directly linked to entrepreneurial performance and results in the success of the entrepreneurial venture. As indicated, most entrepreneurs are in business because they seek independence and that their performance will be judged in terms of the number of years that the business existed and what the entrepreneur has achieved over those years will be counted as the business success.

This finding is supported by a study by Ndlovu [41] who had argued that individuals who venture into entrepreneurship with some personality inventories showed that these entrepreneurs were significantly higher than the general population on measures of independence. Similarly, entrepreneurs with high in achievement motivation are likely to engage in activities that are necessary for success than those who are low in achievement motivation. The performance of entrepreneurship was tested against some dimensions of entrepreneurship traits/characteristics such as independence, risk propensity, commitment and innovations. The findings suggested that independence can be regarded as the predictor of entrepreneurial service performance and that when properly developed, it can impact positively on the business performance/success.

4.3 Motivation for starting a business

The results in Figure 2 indicate the motivational factors of participants to start their initiatives. Figure 2 also indicates that 49% of the participants were motivated

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Statements</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence</td>
<td>I am open to new ideas and prefer to work independently rather than in teams</td>
<td>78.0%</td>
<td>0%</td>
<td>10.6%</td>
<td>6.4%</td>
<td>4.3%</td>
</tr>
<tr>
<td></td>
<td>I set my mind to achieve a goal in relation to a set of standards</td>
<td>85.3%</td>
<td>8.5%</td>
<td>6.4%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>I am a moderate risk-taker and like to anticipate future possibilities</td>
<td>78.7%</td>
<td>6.4%</td>
<td>10.6%</td>
<td>2.1%</td>
<td>2.1%</td>
</tr>
<tr>
<td></td>
<td>I do not see negative feedbacks and challenges as a source of discouragement</td>
<td>70.2%</td>
<td>2.1%</td>
<td>8.5%</td>
<td>10.6%</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Source: Ncokazi [40].

Table 1. Entrepreneurial independence (in percentage).
to start a business because of the need to be independent and for 21.6% of the participants their motive was to be in charge, which more likely means being independent. Independence facilitates the taking of responsibility to use one’s judgement as opposed to following the statements made by others. In other words, entrepreneurial independence motivation is about being able to control one’s work-life, including control over one’s own time and work, making independent decisions, having the flexibility to combine work with one’s personal life [42–45]. The results further indicate that 15% of the participants were motivated to start their own business because they had good business ideas and 7.8% was motivated to start a business because they were retrenched from work, while 5.9% of the study population was motivated by other factors not mentioned in the questionnaire, such as political and family reasons.

5. Conclusion

The analysis of this study revealed that there is a relationship between N-Ach and entrepreneurial performance, but the researcher used a one-time study; therefore, the result may be relevant at the time when the study was conducted; hence, the researcher proposes a further study under the same phenomenon. A new study may conclude a different finding on the understanding of entrepreneurial success and how the interpretation of entrepreneurial success may differ, depending on their underlying understanding of success. The results in this study were presented and analysed using charts. The results indicate that risk-taking propensity and result-driven persons had higher scores where the participants strongly agreed that they are linked to the entrepreneurial N-Ach. The same findings of the study expand the literature on entrepreneurial N-Ach by not only showing the importance of entrepreneurial performance, but also the need to develop the N-Ach motivation of entrepreneurs if they want to succeed in their entrepreneurial endeavours. The study concludes that N-Ach can improve entrepreneurship performance. The researcher understands that it was unlikely to collect data from the owners of failed ventures; therefore, the findings of the study were limited to data collected from the surviving or existing businesses.
6. Recommendation

The study recommends that entrepreneurs should be encouraged to develop N-Ach because of the responsibilities associated with entrepreneurship. Entrepreneurs play a compelling role in the success of their business ventures, they plan, organise resources, lead and execute the work for the realisation of the organisational goals. Independence was found to have been positively associated with entrepreneurial performance. Therefore, researchers recommend entrepreneurs should develop a sense of independence if they want to become independent business owners who can grow their business into a big venture that can compete anywhere in the globe. It is further recommended that government should provide workshops for entrepreneurs to enhance their skills to enable them to be innovative and identify new opportunities, as well as ways that would facilitate them to master their traits, thereby ensuring that the outcomes would be for the benefit of the SME sector.

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