

# MKTG 306

# FUNDAMENTALS OF

# ENTREPRENEURSHIP

Session 3 – Theories, Models and Stereotypes of  
Entrepreneurship

**Lecturer: Dr. Samuel C.K. Buame, UGBS**  
Contact Information: [skbuame@ug.edu.gh](mailto:skbuame@ug.edu.gh)



## UNIVERSITY OF GHANA

College of Education

**School of Continuing and Distance Education**

2016/2017 – 2017/2018

[godsonug.wordpress.com/blog](http://godsonug.wordpress.com/blog)

# Session Overview

- Entrepreneurship is a fairly new discipline. That means that theories in the field of entrepreneurship are at the nascent stage. However, entrepreneurial models are very useful in describing the background of entrepreneurs and the patterns of their behaviour.

# Goals and Objectives

- At the end of the session, the student is expected to:
  1. Understand and explain each of the entrepreneurial models.
  2. Critique each of the entrepreneurial models.
  3. Know the five questions that all the models attempt to answer.
  4. Discuss how the models relate to Ghanaian entrepreneurs.



# Session Outline

The key topics to be covered in the session are as follows:

- Topic One: Introduction
- Topic Two: The Psychological Model
- Topic Three: The Psychodynamic Model
- Topic Four: The Social Marginality Model



# Reading List

- Pages 32 - 42 of the main text –
- **Buame, S.C.K. (2012).** Advanced Entrepreneurship: Enterprise Culture, Venture Creation, Promotion & Management of SMEs in Ghana --- **MAIN TEXT**
- Selected Readings and videos inserted in the Session.
- <https://www.howwemadeitinafrica.com/eight-ghanaian-entrepreneurs-share-their-business-advice/>
- <http://backtoghana.com/articles/17/ghanaian-entrepreneurs-nominated-for-awards>

Topic 1

# INTRODUCTION



# Entrepreneurship Theories and Models

- Theories: A theory is a set of concepts and relationships that tie them together into an explanation of a phenomenon of interest.
- So far entrepreneurship has not got its own theory.
- At best, it is resting on the theoretical foundations of other disciplines of study, e.g., psychology, economics, political science, sociology and management etc.
- So far we can only talk of entrepreneurial models

# Entrepreneurship Theories and Models

Model, defined

- “A simplistic representation of any complex phenomenon, system, structure or idea’
- Thus, the three models are simplistic representation of the complex behaviour of entrepreneurs or one who becomes an entrepreneur.
- These models only try to describe the background of entrepreneurs and the patterns of their behaviour



# The three models of entrepreneurship

- The Psychological model,
  - The psychodynamic model,
  - The social marginality model
- These three models *inter se* answer the following five questions
- are entrepreneurs *born or made*?
  - is entrepreneurship an *art or science*?
  - can anyone become a successful entrepreneur?
  - can entrepreneurship be taught?
  - Who becomes an entrepreneur?

Topic 2

# THE PSYCHOLOGICAL MODEL



# i. The Psychological model pg.33

11

- This is also known as the **trait, behavioural model**
  - That entrepreneurs are born
  - They are born with certain inborn characteristics, attributes, attitudes
  - Once an entrepreneur, always an entrepreneur, since an entrepreneur is a personality, a state of being that doesn't go away



- <https://www.youtube.com/watch?v=DzqM8G0Ed5U>
- **Portrait of a Nation**
- <https://www.youtube.com/watch?v=HgQDYoKCaOE>
- **Kokoking on CNN**
- <https://www.youtube.com/watch?v=hRwtN7F5yaM>
- **Stanford SEED: Prince Kofi Amoabeng on Entrepreneurship**
- <https://www.youtube.com/watch?v=mA63xWGPI-k&t=2044s>
- **The men who built America**

# contd

13

- Dedication is what motivates the entrepreneur to work hard, 12 hours a day or more, even seven days a week, especially in the beginning, to get the endeavor off the ground.
- Planning and ideas must be joined by hard work to succeed. Dedication makes it happen.
- Leadership is the ability to create rules and to set goals. It is the capacity to follow through to see that rules are followed and goals are accomplished.



Creativity is the spark that drives the development of new products or services, or ways to do business. It is the push for innovation and improvement.

It is continuous learning, questioning, and thinking outside of prescribed formulas (the BOX).

# Contd.

15

- Flexibility is the ability to move quickly in response to changing market needs. It is being true to a dream while also being mindful of market realities.
- A story is told about an entrepreneur who started a fancy shop selling only French pastries. But customers wanted to buy muffins as well.
- Rather than risking the loss of these customers, the entrepreneur modified her vision to accommodate these needs.

# contd

- Self-confidence comes from thorough planning, which reduces uncertainty and the level of risk. It also comes from expertise. Self-confidence gives the entrepreneur the ability to listen without being easily swayed or intimidated.
- “Smarts” is an American term that describes common sense joined with knowledge or experience in a related business or endeavor. The former gives a person good instincts, the latter, expertise. Many people have smarts they don't recognize.





# contd

17

A person who successfully keeps a household on a budget has organizational and financial skills. Employment, education, and life experiences all contribute to *smarts*.

- Every entrepreneur has these qualities in different degrees. But what if a person lacks one or more? Many skills can be learned. Or, someone can be hired who has strengths that the entrepreneur lacks. The most important strategy is to be aware of strengths and to build on them.



# So, Desired Entrepreneurial Characteristics

18

- Creative
  - Risk-taking
  - Innovative
  - Determined
  - Courageous
  - Persistent
  - Persevering
  - Etc.
    - Indicative
- independent
- resilient
- bold, confident
- visionary
- flexible
- love for ambiguities
- thrive on chaos

Topic 3

# THE PSYCHODYNAMIC MODEL



# II. The Psychodynamic model

20

## According to this model:

entrepreneurs come from a group of people whose childhood socialisation process was characterized by deprivation (economically, politically, socially etc.). As a result of this depravity, they turn to acquire the characteristics of the person born.

- So, instead of *coiling in* and singing *songs of pity*, they become more aggressive and say to themselves never again, I will make it by all means.
- That is this sense of strong willpower to make it by all means gives him a sense of achievement, determination etc. just like the person already born with entrepreneurial traits



# The Psychodynamic Model (contd)

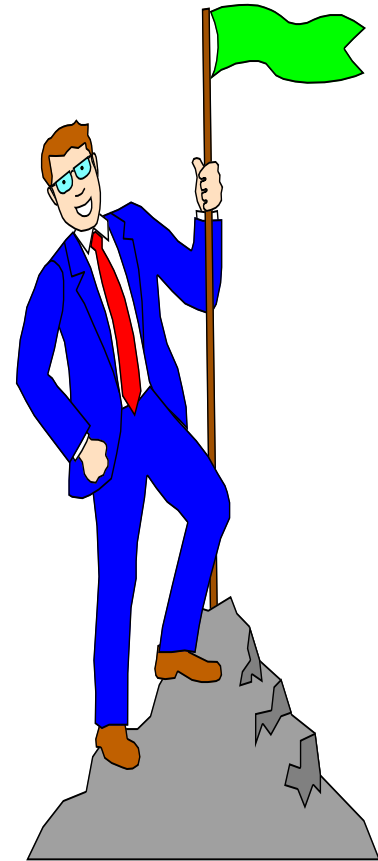
21

- Effect of deprived childhood socialisation
  - A Personality:
    - With internalised norms
    - Who becomes Deviant, ready to take control over his own affairs



# The Psychodynamic Model (contd)

- NB: The unhappy and deprived early life experiences make the resulting individual adult to become a somewhat **deviant personality** who, is generally unable to operate effectively in any organisation or structured social environment.
- His/Her psychological problems are centred around:



## The Psychodynamic Model (contd)

- Low self-esteem
- Insecurity
- lack of self-confidence
- Anti-authority
- Seeking independence and self-sufficiency
- Innovative rebelliousness
  - Hence, striving to create own source of wealth, entrepreneurial ventures/enterprises.
  - He/she then assumes the character of the one with the desirable traits as under the psychological model



# The Psychodynamic Model - criticism

## *Criticisms*

- Like the trait model, the psychodynamic model did not escape criticisms
- The psychodynamic model appears to cast the small businessman or the entrepreneur in a somewhat unfavourable light. It seems to **over-stress the importance of the social misfit and inadequacy** in the account of the start-up entrepreneurial activities.





# The Psychodynamic Model - criticism

25

- That the model ultimately boils down to a stereotypical image of the entrepreneur as someone unable to fit into conventional organisational life,
- That it tends only to describe accurately the **extremes of a given population and leaves the vast majority untouched,**
- That the model may only be applicable to entrepreneurs with particular backgrounds and life experiences and **not applicable to all entrepreneurs,**



# The Psychodynamic Model - criticism

26

- That the description does not even differentiate a particular type of entrepreneurs from individuals from other walks of life with similar deprived backgrounds.
- For instance, “why not they also engage in other occupations other than entrepreneurship” or choose other environments where a deviant can equally resolve his inner feelings of distrust for authority and,
- That if the model were to be valid, it should be possible to identify a set of reasons, consonant with the deviant stereotype, which typify the entrepreneur.



# Remarks

- Although the importance of early socio-psychological experiences in shaping personality, motivation, knowledge and business ability cannot be denied, it is necessary to recognise that what happens to the **entrepreneur once he has started in business is also crucial in shaping his future or later behaviour.**
- Not only does the **environment** continuously offer constraints and opportunities with which the entrepreneur must contend with but his own decisions and actions also produce a reaction from the environment.



## contd

- This interaction between his own behaviour, the environment and the consequences of his actions boomeranging to him provide a learning situation for the establishment of certain habits and practices which possess a greater or lesser capacity to enhance business activity and success.



## Contd.

- NB: As a group, they **do not have the qualities of patience, understanding and charity most of us may admire and wish to have for our fellows**. This is understandable. In the long run and the trying way of the entrepreneur such qualities may come to be so much **excess baggage**.
- What is necessary to the man who travels this way is great imagination, fortitude, and hardness of purpose.
- The men who travel the entrepreneurial way are, taken on balance, **not remarkably likeable people**. This too is understandable.
- As any one of them might say in the vernacular of the world of entrepreneurs, – **Nice guys don't win**



Topic 4

# THE SOCIAL MARGINALITY MODEL



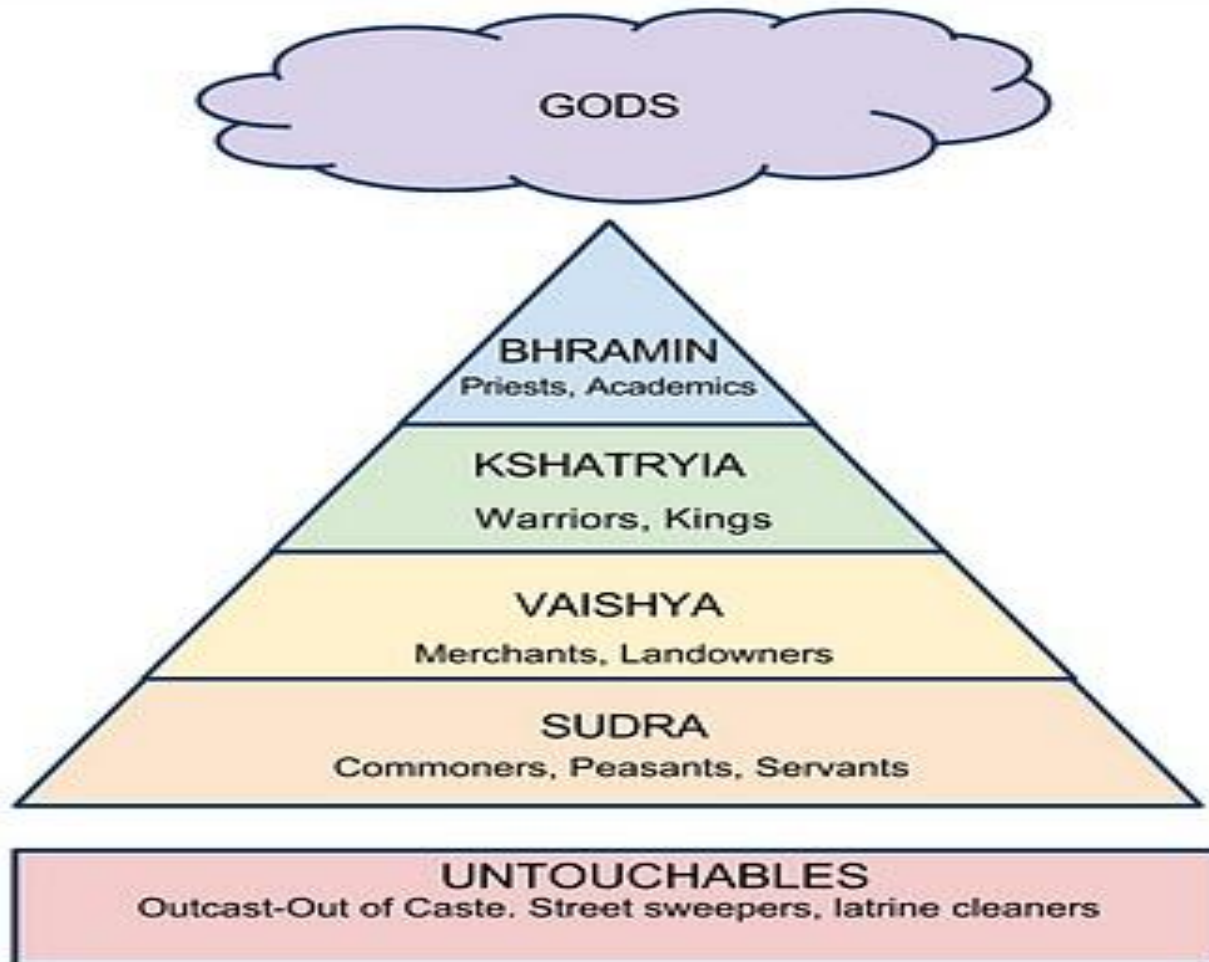
# III. The Social Marginality Model pg.41-42

- The third model is described as the social marginality model.
- From sociological perspective
- That certain group of individuals, are structurally (i.e. socially, religiously, politically, educationally) marginalized
- The main sources of marginality include
  - (a) **Religion** - as in the case of dissenters and Jews;
  - (b) **Ethnicity** - as in the case Overseas Chinese, the Jews all over the world, the Overseas Indians;

- **English Dissenters** were Christians who separated from the Church of England in the 16th, 17th and 18th centuries. Dissenters opposed state interference in religious matters, and founded their own churches, educational establishments, and communities; some emigrated to the New World.
- The puritans who settled New England in 1630 were coming to America but to achieve for themselves a freedom from the church and civil officials in England who had prevented them from pursuing their faith as they believed God wanted them to. They settled in Massachusetts.



# The caste system in India



# The Social Marginality Model – contd.

34

- (c) **Social** - where a class or group of people have lost their traditional position of power and status and try to re-establish themselves in a new area, for example the English convicts that were banished to South Africa, Australia (in 1788) and New Zealand around the middle of the 18th century and Japanese **samurai**
- Model could be called “3M theory”, for the central concepts are *marginality, migrant and minority* groups

# The Social Marginality Model

- Entrepreneurs characteristically arise from an interaction between social exclusion and access to resources which others ignore or cannot grasp.
- This means that all of the minority groups who turn to entrepreneurial activity seem to stand in a fundamentally similar relationship to the opportunity structure in society.
- They are often left out the main stream of economic and political life. They are not part of the core society.
- They search for new avenues to power and prestige.

# The Social Marginality Model

36

- The deprivation experienced by these groups may encourage them to seek entrepreneurial outlets for their untapped capabilities and energies.
- Minorities engage in entrepreneurial activities when there is a perceived gap between an individual's personal attributes and the roles and positions they hold in society.



# The Social Marginality Model - criticism

37

- But why is it that Blacks all over the world seem to be successful entrepreneurs as migrants, minorities and marginalized people?
- The environment is more important, since the organizing environment is suppose to be enabling, favourable and facilitating
- Artificial and institutional blockage are used to stop people from becoming entrepreneurs
- The model was not only applicable to minority groups in or within a society but also to certain individuals in an organisation. In organisations around us one often minorities, deviants and other non-conformists.
- How does it apply to Ghana?

# Synchronising the 3 Models

- The three are interrelated
- Are there any universal qualities
- Human behaviour can be understood within context of time, space, experiences