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# Achievement motivation among habitual entrepreneurs in urban and rural areas

## ABSTRACT

*This study sets out to add understanding by introducing some preliminary findings of achievement motivation among habitual entrepreneurs. The main interest is to explore what kind of dimensions of the achievement motivation are emphasised among habitual entrepreneurs and do urban and rural habitual entrepreneurs differ in this sense. The results of this exploratory study are tentative in their nature and are based on the answers of 53 habitual entrepreneurs concerning the question of achievement motivation. Of all 53 habitual entrepreneurs, 33 operated in urban areas and 20 in rural areas of the Northern Savo region in Eastern Finland. The main method in analysing the data was logistic regression analysis. The results indicate significant differences in the achievement motivation between urban habitual entrepreneurs and rural habitual entrepreneurs. The dimension of dominance was statistically significantly emphasised among the urban habitual entrepreneurs in comparison with habitual entrepreneurs operating in rural areas. In rural areas, instead, entrepreneurs emphasised more the dimension of work ethic.*

**Key words:** Achievement motivation, Finland, Habitual entrepreneurship, Ownership, Rural and urban areas

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## 1 INTRODUCTION

There are two mainstreams into the entrepreneurship research. Some researchers have focused on the personality and the traits of the individuals whereas others have paid attention to the actions implemented by the individuals (e.g. Carland et al. 1984; 1988; Gartner 1989). The main interest has been in the characteristics and the behaviour of the entrepreneurs and how they differ compared the characteristics and the behaviour of the managers or the other working people. In addition, the entrepreneurs have been divided into the different subcategories based on these individual matters (Cooper & Dunkelberg 1987). This is also the main objective in most studies of habitual entrepreneurship in which the entrepreneurs are divided into portfolio, serial and first-time entrepreneurs based on the number of the owned firms.

Macmillan's pioneering argument was that the real nature of entrepreneurship can be captured by studying habitual entrepreneurship (MacMillan 1986). In doing so, he used the term "habitual entrepreneurs" to describe those persons who actively engage in the start-up phase of the firm but who after the successful start-up transfer the leadership to appointed managers and also typically redirect their resources to a new start-up. Nowadays the most commonly used definition describing habitual entrepreneurs would relate to them more generally as entrepreneurial business people who own or have owned at least two independent enterprises (e.g. Hall 1995; Westhead & Wright 1998).

Nowadays the researchers are relatively unanimous in their opinion of the characteristics of the individuals pursuing an entrepreneurial career. The characteristics connected to entrepreneurs in the studies are, for example, the need for achievement, the need for independency, the high tolerance for risks, and the feeling of being in control of one's life (Low & MacMillan 1988; Virtanen 1997). Especially the need for achievement has been connected to entrepreneurs in the studies.

The achievement motivation of habitual entrepreneurs is still, to a great extent, an unknown subject. This is quite surprising because habitual entrepreneurship has become one of the most studied phenomena in the field of entrepreneurship and the achievement motivation has also been found to be a typical characteristic of entrepreneurs and entrepreneurial individuals as mentioned above. This study sets out to add understanding by introducing some preliminary findings of achievement motivation among habitual entrepreneurs. The main interest is to explore:

- *what kind of dimensions of the achievement motivation are emphasised among habitual entrepreneurs and do urban and rural habitual entrepreneurs differ in this sense.*

The study exploits in the previous studies most commonly used definition of habitual entrepreneurship, according to which a habitual entrepreneur is everyone who owns or has owned at least two independent firms either one after another (serial entrepreneurs) or simultaneously (portfolio

entrepreneurs). Urban habitual entrepreneurs are considered to be those operating in the areas where the number of inhabitants is at least 10 000 people per a town or city, and rural habitual entrepreneurs are considered to be those operating in the areas where the number is less than that. The criterion for dividing into urban-rural areas is the same that was used by for example Westhead & Wright (1999).

The remainder of this paper is organised into three sections: first, previous research concerning habitual entrepreneurship and literature concerning achievement motivation are presented in more detail. Data and research methodology are reported in the next section and the fourth section reports the findings of the study. Finally, conclusions are drawn about the achievement motivation among urban and rural habitual entrepreneurs.

## 2 LITERATURE REVIEW

### *Habitual entrepreneurship*

Previous research has discovered that both serial and portfolio entrepreneurs can be further divided into at least two subcategories depending on the primary motives of entrepreneurship. Serial entrepreneurship can be based on the desire to increase the profits (the yield of financial capital) or to exploit the accumulated human capital (knowledge, experience and skills). The former can be illustrated as a classical mode of action where a serial entrepreneur tries to expand the business in the optimal scale and relinquishes entrepreneurship at the right moment. After that she/he repeats the whole process in another business. The primary motive is in accumulating personal wealth (Wicham 2001; Westhead et al. 2004). The latter, instead, is about trying to exploit accumulated human capital (knowledge, skills, and experience) at a given time and in an given environment. Sometimes these people are labelled to be less educated craftsman-serial entrepreneurs, but in this category there are also many highly educated academic entrepreneurs who make a varying career between entrepreneurial self-employment and so-called paid work, i.e. salaried employment. Sometimes this reflects human's individual attempts to find a career identity through trial and error or trial and success.

Portfolio entrepreneurship may be due to either a growth strategy or a survival strategy of the enterprise. Innovative and growth-oriented entrepreneurs may take proactive actions when seeking and exploiting business opportunities. Typically they work with a strong status aspiration (Huovinen 2007). As they manage their portfolio of several units, they prefer to work in entrepreneurial teams in order to be able to get some help from and to share the responsibilities with others. Attitudes to failure among growth-oriented entrepreneurs may also be different compared to other entrepreneurs on average: A failure is only one episode in their entrepreneurial path, not the end of it.

However, portfolio entrepreneurship can also be a survival strategy. If the original firm does not offer a sufficient income to support the entrepreneur and the family, an entrepreneur starts to seek additional income by exploiting new opportunities, which could be more a profitable source of income. This kind of a situation is rather typical in the countryside, where secondary businesses have been developed in addition to traditional farming (Carter 1998; Torkko et al. 2006). Sometimes the new firm has been founded before the original firm has entered into financial difficulties, and the entrepreneur has applied the diversification strategy as a method or solved the financial problems or, at the minimum, established a "re-birth" possibility with a new start.

Previous studies indicate that habitual entrepreneurship is common in both urban and rural areas and that serial and portfolio entrepreneurs are also quite evenly divided into these two areas (e.g. Huovinen 2007; Westhead & Wright 1999). However, it has been noticed that portfolio entrepreneurship may be more common in areas where the growth is somehow restricted (e.g. Birley & Westhead 1995). Moreover, Huovinen & Littunen (2008a) found out that firm's location in the industrialized urban and rural areas was positively connected to portfolio entrepreneurship, whereas firm's location in the service centres increases the likelihood of the occurrence of serial entrepreneurship.

To summarize, habitual entrepreneurship can be based on many different motives (value creation and growth, exploiting human capital, building up career identity, or survival) being common in different line of businesses, regions and areas.

### *Achievement motivation among habitual entrepreneurs*

The concept of achievement motivation has been used to describe individual efforts towards personal goals in social surroundings (Cassidy & Lynn 1989). It is also found to be a typical characteristic among individuals who are successful in their work (McClelland 1961; 1967). A strong achievement motivation is probably the one characteristic most clearly describing the attitudes and the behaviour of an entrepreneur (e.g. Virtanen 1996). It may also be considered as a dimension closely related to other typical characteristics for an entrepreneur, such as willingness to take risks (e.g. Littunen 2000) and growth orientation (Kirschenhofer 2006; Virtanen 1996).

McClelland (1967) suggested that the need for achievement is one of the basic characteristics of an entrepreneur, which may be typical for certain cultures as well as learned. Several researchers argue, however, that McClelland's conception of the achievement motivation only covers one aspect of the myriad of dimensions affecting it. Cassidy and Lynn (1989) made themselves conversant with the measurements used in various studies, and recognised seven different dimensions affecting an individual's achievement motivation. According to them an individual's achievement motivation consists of work ethic, acquisitiveness, dominance, excellence, competitiveness, status aspiration, and mastery. The aspect of these researchers includes 49 different

propositions to describe the performance of an individual, and it was developed particularly to facilitate the work of researchers interested in the achievement motivation (Cassidy and Lynn 1989; Littunen 1992).

So far only very few studies regarding the characteristics of habitual entrepreneurs have been completed, although some studies indicate that, for example, the achievement motivation has a meaning in establishing of several firms (Carland et al. 2000; Kirschenhofer 2006). Huovinen & Littunen (2008b) used the propositions developed by Cassidy & Lynn to compare the achievement motivation between serial and portfolio entrepreneurs. They found out that the dimension of excellence of the achievement motivation was emphasised in the operations of the serial entrepreneurs. At the same time the portfolio entrepreneurs agreed most with the propositions regarding dominance. They conclude that the result seems logical because simultaneous ownership of more than one firm generally requires delegation at least to some extent.

### 3 METHODOLOGY

The study was carried out in the region of Northern Savo in Eastern Finland and the target group was the entrepreneurs in this region. In this study, the region is divided into urban and rural areas based on the number of inhabitants in the particular area. Urban areas are those where the number of inhabitants is at least 10 000 people per a town or city, and rural areas are those where the number is less than that. Propositions developed by Cassidy & Lynn (1989) were used to measure entrepreneurs' achievement motivation. From the original 49 statements, 23 were included in the questionnaire. The selected statements represent four dimensions of achievement motivation: work ethic, dominance, excellence, and mastery. These propositions have been used and tested in several entrepreneurship researches (e.g. Huovinen 2007; Littunen 1992; Niittykangas et al. 1994).

The challenge in this kind of a research is the fact that there is no extensive database of habitual entrepreneurs. To meet with this challenge a preliminary research was executed to divide the entrepreneurs into groups of habitual and first-time entrepreneurs for further research. A total sample of 450 small firms from Northern Savo region was selected for the study. After the second questionnaires, 205 entrepreneurs had participated in the research. After the preliminary research a new questionnaire regarding the start-up situations of the firms and achievement motivation of the entrepreneurs was sent to all respondents. Altogether 142 of all respondents to the preliminary questionnaire also participated in the follow-up study. The results of this exploratory study are tentative in their nature and are based on the answers of 53 habitual entrepreneurs concerning the question of achievement motivation. The main method in analysing the data was logistic regression analysis.

## 4 FINDINGS

### *Descriptive statistics*

Among the respondents in the follow-up study, 46,5 per cent were habitual entrepreneurs (serial entrepreneurs 19,7 per cent, portfolio entrepreneurs 26,8 per cent). Serial entrepreneurs were over-presented in the biggest cities of the region (64,3 per cent of all serial entrepreneurs) whereas the proportion of portfolio entrepreneurs was bigger than serial entrepreneurs in the industrialized urban and rural areas (48,6 per cent of all portfolio entrepreneurs). Of all 53 habitual entrepreneurs responding to the question of achievement motivation, 33 operated in urban areas and 20 in rural areas of the region.

### *The logistic regression model*

The research questions were tested with the logistic regression analysis. The goal was to create a model where the dimensions of achievement motivation could be observed as extensively as possible. At the same time special attention was paid not to choose independent variables unessential for the phenomenon nor to extend the number of the variables too much in respect of the number of the observations (see e.g. Metsämuuronen 2001, 79). Table 1 presents the logistic regression model describing the urban habitual entrepreneurship and the rural habitual entrepreneurship. Also the reliability of the sum variables formed in the study was tested with the help of cronbach's alfa coefficient (see appendix 1). The independent variables in the logistic regression models are explained in the appendix 2.

**TABLE 1. The logistic regression analysis**

Variables	Dependent variable: Urban vs. rural habitual entrepreneurs		
	B	S.E	Sig.
<i>Dimensions of achievement motivation</i>			
Excellence	0,668	0,698	0,338
Dominance	-1,063	0,613	0,083*
Mastery	0,682	0,711	0,338
Work ethic	1,063	0,618	0,085*
Constant	-6,579	3,36	0,050*
Model $\chi^2 = 0,005$			
df = 4, n = 53			

\*  $p < 0,10$

The logistic regression analysis explained the location of the observations in the two groups of entrepreneurs rather well (dependent variable: 0=urban habitual entrepreneurs/1=rural habitual entrepreneurs). Of all observations 77 per cent were classified correctly resulting into correct groups for the majority of the both urban habitual entrepreneurs (81,8 per cent) and rural habitual entrepreneurs (70,0 per cent). Also the  $\chi^2$ -test quantity indicating the reliability of the analysis was good.

### *Results of the logistic regression analysis and interpretation*

In the logistic regression analysis the dimensions of dominance and work ethic emerged as statistically significant variables (Table 1). The dimension of dominance was statistically significantly emphasised among the urban habitual entrepreneurs in comparison to the rural habitual entrepreneurs. In practice, a person like this typically aims at a superior position, and has strong faith in his/her abilities to lead.

The results can be interpreted at least in two ways. Firstly, in the urban areas the rivalry between entrepreneurs and firms may be more intense than in the rural areas requiring entrepreneurs to have certain competitive mindset. Secondly, the willingness to be a leader was previously connected to the portfolio entrepreneurs who often operate in industrialized urban areas and who need some assistance in managing several firms at the same time (see also Huovinen & Littunen 2008a; 2008b).

The logistic regression analysis also reveals that rural habitual entrepreneurs rather than urban habitual entrepreneurs agree with the propositions in the sum variable of work ethic (Table 1). In the light of these results rural habitual entrepreneurs seem to be individuals who aim at a performance within their own capabilities without necessarily comparing their achievement to that of others, but experiencing success when doing their best.

The result is natural since hard working values are emphasised largely in the Finnish countryside. There are also many former or current farmers among rural habitual entrepreneurs who like to have additional incomes through secondary businesses (see e.g. Carter 1998; Torkko et al. 2006). These habitual entrepreneurs do not necessarily seek enormous growth of their businesses or leading position in their firms or communities. They may rather seek to have more profitable sources of incomes alongside or instead of traditional farming.

## **5 CONCLUSION**

This exploratory study is a part of a larger conceptual and empirical research where habitual entrepreneurship is studied from several perspectives (see Huovinen & Koiranen 2008). The results of this study indicate that there are differences in achievement motivation among urban and rural

habitual entrepreneurs. The dimension of dominance was emphasised among the urban habitual entrepreneurs, whereas the dimension of work ethic was emphasised among the rural habitual entrepreneurs.

The results of this study are tentative in their nature and in interpreting the findings some limitations should be observed. We acknowledged that the variables describing the achievement motivation are not inclusive. Moreover, since the study was restricted to firms in the Northern Savo region, caution must be exercised in generalising the results across other regions in Finland. Future studies, conducted with larger samples from a wide-range of regions and subregions, would yield more conclusive findings.

Despite deficiencies of the study, it sets out to add understanding by introducing some preliminary findings of achievement motivation among habitual entrepreneurs. It provides some useful insights which may help policy developers to understand the essence of habitual entrepreneurship. Hopefully, it also intrigues researchers to clench on this issue and to start both quantitative and qualitative studies concerning the personal characteristics and achievement motivation of habitual entrepreneurs. ■

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## APPENDIXES

### APPENDIX 1. Dimensions of achievement motivation

Sum variable	Items of sum variables	Cronbachs alfa
Excellence	<ol style="list-style-type: none"> <li>1. I find satisfaction in working as well as I can</li> <li>2. It is no use playing a game when you are playing with someone as good as yourself</li> <li>3. Part of the satisfaction in doing something comes from seeing how good the finished products looks</li> <li>4. There is satisfaction in a job well done</li> <li>5. I find satisfaction in exceeding my previous performance even if I don't outperform others</li> <li>6. I get a sense of satisfaction out being able to say I have done a very good job on a project</li> </ol>	0,73
Dominance	<ol style="list-style-type: none"> <li>1. If given the chance I would make a good leader of people</li> <li>2. I think I would enjoy having authority over other people</li> <li>3. I think I am usually a leader in my group</li> <li>4. People take notice of what I say</li> <li>5. I enjoy planning things and deciding what other people should do</li> <li>6. When a group I belong to plans an activity I would rather direct it myself than just help out and have someone else organize it</li> </ol>	0,73
Mastery	<ol style="list-style-type: none"> <li>1. I feel like giving up quickly when things go wrong</li> <li>2. I like to be busy all the time</li> <li>3. I more often attempt tasks that I am not sure I can do than tasks I know I can do</li> <li>4. I prefer to work in situations that require a high level of skill</li> <li>5. I would rather do something at which I feel confident and relaxed than something which is challenging and difficult</li> <li>6. If I'm not good at something I would rather keep struggling to master it than move on to something I may be good at</li> </ol>	0,54
Work ethic	<ol style="list-style-type: none"> <li>1. I easily get bored if I don't have something to do</li> <li>2. I like to work hard</li> <li>3. I can easily sit for a long time doing nothing</li> <li>4. Hard work is something I like to avoid</li> </ol>	0,59

### APPENDIX 2. Variables used in logistic regression model

Variables	Values of variable
Dimensions of achievement motivation	
Excellence	5-step scale: 1=Totally disagree, 5=Totally agree
Dominance	5-step scale: 1=Totally disagree, 5=Totally agree
Mastery	5-step scale: 1=Totally disagree, 5=Totally agree
Work ethic	5-step scale: 1=Totally disagree, 5=Totally agree