

SOCIAL PSYCHOLOGICAL AND SOCIOLOGICAL ASPECTS
OF INDIAN ENTREPRENEURSHIP

by 45

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CHAPTER I
THEORETICAL BACKGROUND

Introduction

Much of what is presently known about the phenomenon of entrepreneurship is derived from historical and case studies of entrepreneurs during the early phases of the industrialization of Western Europe and during the free enterprise era of contemporary Western capitalism. The early Western entrepreneur, who is frequently described as the main agent in bringing about the industrialization of Western Europe, has been romanticized and glamorized as an individual possessing certain distinct characteristics. In particular, he is described as an independent, hard-working, risk-taking innovator. This image of the entrepreneur has influenced the thinking of many students of entrepreneurship and economic development. Many of these students, thus, attempt to account for a society's capacity for industrialization in terms of the presence or absence of an "entrepreneurial spirit" among its people. Much of the literature on the economic development of contemporary under-developed countries in Asia, Africa, and Latin America, for instance, express concern for the apparent paucity of an entrepreneurial spirit and the absence of cultural and social psychological factors which, it is argued, inhibits the development of entrepreneurship in these areas.

This paper is concerned with the relevance of current theories of entrepreneurship to an understanding of the phenomenon of entrepreneurship in contemporary underdeveloped countries. Specifically, it proposes to test the relative usefulness of two alternative approaches to understanding entrepreneurship in India, an Asian underdeveloped country currently engaged in planned efforts at industrialization. These alternative approaches are that of viewing Indian entrepreneurship as a function of certain social psychological variables (particularly the achievement motive) on the one hand, and that of studying Indian entrepreneurship as a family phenomenon. This point will be discussed in greater detail in a later section of this paper. The next few pages are devoted to a discussion of the major theories of entrepreneurship (relevant to the purposes of this paper), to the assumptions of these theories, and the tenability of applying these assumptions to Indian society.

Major Influences on Individualistic Theories of Entrepreneurship

Current theories of entrepreneurship, particularly those emphasizing its personality and motivational aspects, have been influenced, in varying degrees, by the theoretical formulations of Max Weber, a sociologist, and Joseph Schumpeter, an economist. Since the ideas of these men are germinal to contemporary theory and research in

entrepreneurship, it would perhaps be profitable to examine them here.

Weber's The Protestant Ethic and the Spirit of Capitalism¹ constitutes one of the first attempts to understand economic behavior in other than economic terms. Weber develops his ideas around several fairly specific characteristics associated with Protestantism, particularly as these attributes were manifested among Calvinists. Belief in the doctrine of predestination, in inner worldly ascetism and self-denial, and in the notion of a "calling" provided the individual with a view of the world and an "ethic" which, Weber argued, were amenable to, and in fact encouraged the individual to elicit behavior which has been characterized as entrepreneurial. An overly brief and simplified presentation of Weber's argument follows. The Calvinistic doctrine of predestination, Weber proposes, gives man a sense of insecurity about his belonging to the "Elect," i.e., those destined to be saved. This insecurity leads him to seek outward signs enabling him to prove to himself and to others that he is among the Elect. One important sign of a man's election is success in his "calling," i.e., his secular occupation, which is presumably willed to him by God and to which he is, therefore, expected to give his full devotion. A single-minded devotion to his secular occupation (reinforced and embroidered with religious meaning) had its

reward in hard cash which could be accumulated and saved and translated into capital. Accumulation of savings, however, was a heavy responsibility and not to be treated lightly or frivolously. Since the Calvinistic doctrines of inner worldly ascetism and self-denial precluded the use of amassed wealth on worldly pleasures, legitimate uses of savings had to be defined for the individual. For the Calvinist worker, a legitimate use of savings was the opening of his own small shop; to the entrepreneur, it was ploughing back his profits into his enterprise, thus leading to its expansion and growth. The Calvinistic values and attitudes of devotion to duty and inner worldly ascetism and self-denial were later divorced from their religious origins and became part of the Western social and psychological make-up, and were particularly manifested in the more secular capitalistic values of hard work, activity, planning, and rational pursuit of profits. This point is touched upon in greater detail in the pages that follow.

As mentioned earlier, the work of Schumpeter,² particularly his concept of innovation as the defining characteristic of entrepreneurship and his emphasis on the importance of certain personality characteristics for successful entrepreneurship, has also had considerable impact on current thinking on entrepreneurship. For Schumpeter, the main agents of economic development are

innovating entrepreneurs, and the study of entrepreneurship is nothing more than the study of the "creative response in economic history,"³ Schumpeter uses the term "innovation" in a much broader sense than invention, which seems to be the popular meaning of the term innovation. In fact, he is careful to point to the differences between an innovator and an inventor: the entrepreneur is an innovator by virtue of his function; he may also become an inventor in the course of performing his role as an entrepreneur or he may use the inventions of others in a new way.⁴ Innovation simply means a "new combination"⁵ of resources at the disposal of the entrepreneur. Thus, innovation may take the following forms:

"(1) The introduction of a new good - that is one with which consumers are not yet familiar - or of a new quality of a good. (2) The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacturing concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially. (3) The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market existed before. (4) The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created. (5) The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position."⁶

While Schumpeter focuses his attention on economic entrepreneurs, his concept of entrepreneurship does not

necessarily apply to everyone holding business positions. For him, entrepreneurship is not a profession; neither is it a lasting condition. Thus, a businessman may or may not be an entrepreneur; he may be an entrepreneur during certain periods of his career and not at others. Alternatively, persons in other occupational pursuits or even organizations may be considered as entrepreneurs if they are engaged in some innovational activities.⁷ Schumpeter's suggestion that the entrepreneurial function need not be performed by a single person but may be equally performed by a group of individuals or organizations, has frequently been neglected by more recent theorists of entrepreneurship. The oversight or under-emphasis of this important point seems understandable in view of Schumpeter's insistence that successful entrepreneurship requires certain personality characteristics. While Schumpeter did conceive of the U.S. Department of Agriculture, a large, impersonal organization, as an entrepreneur, his description, below, of the entrepreneur leaves very little doubt, even for one without an individualistic bias, that he is talking of a certain type of individual with particular characteristics.

"First of all, there is the dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty. The modern world does not know any such positions, but what may be attained by industrial or commercial success is still the nearest approach to medieval lordship possible to modern man. Its fascination is specially strong for people who have no other

chance of achieving social distinction.

"Then there is the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself. From this aspect, economic action becomes akin to sport - there are financial races, or other boxing-matches. The financial result is a second consideration, or, at all events, mainly valued as an index of success and a symptom of victory, the displaying of which very often is more important as a motive of large expenditure than the wish for the consumers' goods themselves.

"Finally, there is the joy of creating, of getting things done, or simply of exercising one's energy and ingenuity. This is akin to a ubiquitous motive, but nowhere does it stand out as an independent factor of behavior with anything like the clearness with which it obtrudes itself in our case. Our type seeks out difficulties, changes in order to change, delights in ventures."⁸

The above description of the Schumpeterian entrepreneur could very well fit Weber's Calvinist worker or entrepreneur. Thus, while Weber and Schumpeter approach the study of entrepreneurship from different theoretical orientations, their images of the entrepreneur are very much the same. The motives they attribute to the entrepreneur for behaving the way they do can also be reconciled; as a matter of fact, they seem very similar. It is not difficult to imagine, for instance, that Weber's entrepreneur, who was not allowed by his religious beliefs to enjoy worldly pleasures, discovered purpose and personal satisfaction in creating and getting things done, etc., and that he probably sought success partly as an end in itself and partly as a sign of being among the Elect. An important difference between

Weber's and Schumpeter's formulations is that Weber attempts to account for the origins of motives characteristic of entrepreneurs while Schumpeter does not concern himself with motivational etiology.

Current Theories of Entrepreneurship

Many of the recent theories of entrepreneurship have merged the two images of the entrepreneur provided by Weber and Schumpeter. Two of the more well-known theorists of entrepreneurship and economic development who have been considerably influenced by the ideas of Weber and Schumpeter are Hagen⁹ and McClelland.¹⁰ Both these theorists take Weber's thesis on the causative relationship between the Protestant Ethic and the development of capitalism as point of departure for their own theories. And they both use Schumpeter's concept of innovation as the defining characteristic of the entrepreneur. Thus, both Hagen and McClelland conceive of the entrepreneur as a distinct type possessing particular personality and motivational characteristics. They, however, argue for a more secular explanation for the development of the entrepreneurial personality. Thus, for example, they both emphasize the importance of childrearing practices in the development of the type of individual that Weber and Schumpeter describe as having been responsible for the industrialization of Western Europe. Their theories are discussed in more detail below.

Hagen, an economist, is probably one of the few theorists who have attempted to investigate the problems of economic development and entrepreneurship from a broad, gestaltic background encompassing the cultural system, social structure, and personality dynamics. The comprehensiveness of his approach may better be appreciated from his own statement of the purpose and structure of his book On the Theory of Social Change:

"The following chapters then evolve, piece by piece, a fully defined model of society, a model which stresses the chain of causation from social structure through parental behavior to childhood environment and then that from childhood environment through personality to social change. The model is applied first to traditional society and then to the process of transition from a traditional state to economic growth."¹¹

Like Schumpeter, Hagen emphasizes the importance of the creative, innovational individuals in a particular society as a prerequisite to its economic development. His description of the innovational or creative individual overlaps with Schumpeter's, as shown below.

". . . openness to experience, and, underlying this, a tendency to perceive phenomena, especially in an area of life that is of interest to the individual as forming systems of interacting forces whose action is explainable; creative imagination, of which the central component is the ability to let one's unconscious processes work on one's behalf; confidence and content in one's own evaluations; satisfaction in facing and attacking problems and in resolving confusion or inconsistency; a sense that one has a duty or responsibility to achieve; intelligence; energy; and, often, related to several of these, a perception that the world is somewhat threatening and that one must strive perpetually if one is to be able to cope with it."¹²

Hagen's explanation for the rise of this particular type of individual, to some extent, parallels Weber's proposition about the relationship between the rise of the capitalistic spirit in Western Europe and the Calvinist's anxiety about his being among the Elect. Hagen argues that the innovators

" . . . were members of a group which had had a secure accepted status in the traditional society and then had lost it. They had been an integral part of a society and then, psychologically at least, had been rejected by it."13

This loss of status respect, which the members of the group feel are due them, leads to feelings of anxiety which in turn are expressed in authoritarian child-rearing practices. The parents' anxiety and authoritarianism are passed on to the children who, in turn, rear their own children under the same conditions of authoritarianism and anxiety. This pattern of child-rearing is thus perpetuated for several generations until some new tensions appear in the social structure. These tensions may take the form of a power struggle among the ruling elite or the appearance of a new group both of which make inroads into the rigidly stratified social structure. The members of the socially deprived group then take advantage of this disruption of the social structure and rebel and try to assert themselves to regain their lost status. The reaction to the increased tension and anxiety is innovational activity. In Hagen's words:

"Indeed, innovational activity is always a reaction to some degree of anxiety."¹⁴

"Many effective innovators are oppressed by a pervasive anxiety concerning life. Their anxiety, however, is not the result of conflicting urges whose balance creates paralysis; rather, it is a gnawing feeling that they are not doing enough, or not well enough. Repeatedly, they escape from their anxiety temporarily by creative achievement. Effective innovators also typically feel a sense of duty to achieve."¹⁵

It is not clear from Hagen's theoretical framework how the transformation from authoritarian to innovational or creative personality is brought about. Nor has he successfully explained why the reaction to loss of status and anxiety is creative activity rather than another kind of reaction, say, destructiveness. It is, of course, impossible to do justice to Hagen's formulations in a few paragraphs. It may be suggested, however, that Hagen's theory may be more useful for large-scale historical, rather than actual field studies of economic development and entrepreneurship.

A more empirically testable proposition (than Hagen's) is McClelland's thesis on the relationship between a society's level of achievement motivation and its capacity for economic growth.¹⁶ Achievement motivation is defined as "a desire to do well, not so much for the sake of social recognition or prestige, but to attain an inner feeling of personal accomplishment."¹⁷ Briefly stated, McClelland argues that the single most important causative factor in the rise of entrepreneurship, which in turn leads to the

economic development of a country, is the prevalence among a people of a psychological drive which he called "need for Achievement" (n Ach). In his words:

"Civilization, at least in its economic aspect, is neither adaptation nor sublimation; it is a positive creation by a people made dynamic by a high level of n Achievement."¹⁸

Economic development, however, McClelland argues, has and can take place only when there is a sizeable number of men with high n Ach engaged in entrepreneurial roles, i.e., when there are enough right people in the right roles. McClelland is probably more concerned with how to have the right kind of people than with the problem of how to bring about a congruence between psychological needs and role demands. This is so because he argues that high n Ach not only leads to success in the performance of an entrepreneurial role but also, probably more important, that high n Ach "predisposes" a man to seek entrepreneurial roles. Thus, n Ach is a self-propelling characteristic in the psychological make-up of the individual which pulls him to the occupational task which would enable him to make good use of this psychological drive or where his motive would have the greatest opportunity for expression.

Under normal conditions, i.e., when the individual is not subjected to persistent and consistent frustrations, this motive is stable and could best be measured by an analysis of imaginative or fantasy productions of the

individual.¹⁹

The achievement motive, according to McClelland, is a learned motive which has its major antecedents from child-rearing practices. He cites a study by Winterbottom²⁰ which shows that early training in independence, e.g., in doing schoolwork without help, and mastery, e.g., in sports, contributes to the development of strong n Ach in contemporary American children. Children whose mothers stress early independence for their children, who exercise minimum restrictions on the children's activities and who reward the children for independent behavior were found by Winterbottom to have high n Ach. In order to test the generalizability of this finding to non-literate societies, McClelland and Friedman²¹ analyzed a dozen folktales for each of eight American Indian societies. The basic assumption in using folktales was that they would most likely reveal the non-literate societies' concerns relating to matters they would consider important for the society. The investigators found a significant positive correlation between the amount of stress on independence training and the level of achievement motivation in folktales.

From insight gained from findings such as those mentioned above, McClelland proposed a modification of Weber's thesis on the causal relationship between the Protestant Ethic and the development of capitalism. He argues that it was

not the Protestant ideology per se which led Calvinist workers and entrepreneurs to behave in the manner which brought about the industrial development of Western Europe. It was rather, that Protestant parents stressed independence, achievement, and mastery for their children at an early age in order to prepare the children for their role as adults belonging to the Elect. Thus, Protestant families were likely to emphasize and employ the kinds of child-rearing practices which encouraged the development of high n Ach. This motive supposedly found expression mostly in entrepreneurial behavior and led to the economic development of Western Europe.

The question, then, is why should a man with high n Ach be particularly equipped or predisposed to perform in entrepreneurial roles? There are several reasons, according to McClelland. He would argue that (1) the role expectations of entrepreneurship are similar or at least congruent with the behavioral correlates of n Ach; (2) an entrepreneurial job provides an accurate and relatively immediate feedback on one's performance (this feedback is, of course, necessary if one is competing with a standard) - in the form of profits or losses; and (3) an entrepreneurial job gives the achievement-oriented person freedom to give vent to his innovational and creative tendencies. McClelland, of course, had in mind the Schumpeterian entrepreneur of the free enterprise era of the past, although most of

the empirical tests of his theory were conducted among managers of modern business organizations.

McClelland's work probably best exemplifies the individualistic, nominalistic, and voluntaristic bias of Western, particularly American, thought.²² McClelland's theory has had considerable impact on students of economic development and entrepreneurship as indicated by the substantial research it has generated. The growing interest among Western social scientists in the process of economic development in contemporary non-industrialized countries has led to attempts at applying McClelland's theory to an understanding of the frequent low level of an uneven development of industrialization in these countries. Some examples of the cross-cultural applications of McClelland's theory are cited below.

Empirical Studies on n Ach and Economic Development and Entrepreneurship

Rosen,²³ in a comparative study of n Ach among American and Brazilian boys reports that the latter have, on the average, lower n Ach than their American counterparts. He also studied achievement values, particularly activism-passivism, individualism-familism, and present-future orientation, among the mothers of these boys and similarly found greater achievement orientation among American than Brazilian mothers. He, thus, concludes that the differences in the level of economic development of the United States

and Brazil can be accounted for by the paucity of achievement-oriented individuals in Brazilian society. In his words:

"The relatively low levels of achievement motivation and achievement values among Brazilians, we believe, has been an adverse factor in Brazil's economic development since the competitive, work-oriented, achievement-motivated individual provides much of the human drive and direction on which economic growth depends. He is the 'salt of the earth' so far as economic development is concerned. Whether as entrepreneur, manager, or worker, the achievement-oriented person brings to his work such qualities as initiative, discipline and a belief in the value and necessity of work which have been identified as central to the character structure of industrial man and invaluable to any society determined to grow economically."²⁴

Similarly, LeVine and his associates²⁵ tried to account for differences in the rates and patterns of socio-economic progress among the three major ethnic groups in Nigeria, namely, the Hausas, the Yorubas, and the Ibos, in terms of differences in their level of achievement motivation.

Limited space does not allow a comprehensive review of studies conducted on the relationship between n Ach and entrepreneurship and economic growth. A few studies of direct relevance to this paper are mentioned here briefly. One such study was that conducted by Fraser²⁶ among Indian mechanics trainees in a rural village of Orissa, India, in 1959 where he tried to account for differences in degree of entrepreneurial spirit and involvement in traditional cultivation in terms of differences in level of n Ach. Similarly, Rogers and Meill²⁷ proposed to explain entre-

preneurial performance and success among farmers in Colombia in terms of n Ach. On a more comparative level, McClelland and his associates²⁸ studied the relationship between n Ach and managerial success among American, Italian, Polish, and Turkish business managers. The line of thinking behind such studies as those mentioned above is probably best illustrated by a project undertaken by McClelland and his associates²⁹ which had as its purpose "developing the entrepreneurial spirit in an Indian community." In this project, a number of leading businessmen in a small town in Central India were induced to participate in a 10-day course on entrepreneurship "to try and stimulate the entrepreneurial (n Achievement) spirit among them." This attempt to stimulate the achievement motive among adult persons who are more or less established in entrepreneurial occupations seems to be based on at least three assumptions. One assumption is that motives could be changed in less than two weeks. Since McClelland and his associates grant that there is no systematic knowledge about how motives could be changed in adults and that one of the purposes of the study was to add to this knowledge, it may not be profitable here to question this assumption that motives could indeed be changed. It may be noted, however, that this attempt to stimulate the n Ach among adults seems to contradict McClelland's and his students' assertion that n Ach has its

antecedents in child-rearing practices. Another assumption of the project seems to be that there is a specific or absolute level of n Ach that is necessary for successful entrepreneurial performance. As McClelland and his associates point out, "businessmen generally have a higher average level of n Achievement" than the general population of a particular society. Their attempt to increase the n Ach level of the entrepreneurs raises the question of how high is high n Ach and the further question of what would be the level of n Ach most suitable for entrepreneurship. The third assumption, which is closely related to the second, is that entrepreneurs operate in a socio-cultural vacuum. McClelland and his associates, no doubt, are aware that the motivational and value systems of the general Indian population are antithetical to the achievement orientation which McClelland and his associates try to inculcate in their entrepreneurs. How are the achievement-oriented, activistic, independent, energetic entrepreneurs supposed to function in a society whose value system generally inhibits the type of behavior and orientation which are presumably necessary for entrepreneurship? Wouldn't these entrepreneurs meet with disappointment and frustration at every turn? McClelland and his associates, moreover, neglect the possibly inhibiting influence of the Indian social structure, particularly the joint family and the caste systems, on

achievement-oriented and independent behavior. The assumptions of n Ach theory regarding the social structure are discussed in greater detail below.

Basic Assumptions of n Ach Theory

The proposition that high n Ach is positively related to entrepreneurship is premised on an open social structure where an individual can choose the occupation where he perceives he may have a "moderate" chance of succeeding and where his own efforts may have a differential effect on his success or failure. An open social structure allows equal access to opportunity among the different segments of the population and distributes rewards and sanctions on the basis of role performance. While McClelland does concede the restricting influences of social class status on an individual's occupational choice or aspiration, these restrictions are mainly self-imposed and are based on the individual's perception of the probability of succeeding in a particular occupation. As McClelland himself puts it:

"Occupational aspiration (is) a multiplicative function of n Achievement, prestige (or difficulty) of the occupation, and probability of success."

Social class as a qualifying variable in an open social structure is of interest to McClelland and his students to the extent that social class differences in child-rearing practices lead to class-based differences in levels of n Ach. Rosen,³⁰ for instance, in a study of the achievement motive

among American high school students coming from the different social classes, concludes:

"The findings of this study support the hypothesis that social strata differ from one another in the degree to which the achievement motive is characteristic of their members. Furthermore, the data indicate that members of the middle class tend to have considerably higher need achievement scores than individuals in the lower social strata."

Thus, because of class differences in n Ach, McClelland suggests that entrepreneurs are more likely to be found or recruited from the middle classes than from either the lower or upper classes.³¹

The importance of social class in the socialization of the individual to those values that lead to mobility or non-mobility has also been suggested by Hyman³² in his study of motivation and vertical social mobility. In his words:

"Achievement in any realm is, as previously noted, a function of motivation." "A variety of data suggest that the lower class individual holds values of such a nature as to reduce his striving towards those ends which would result in his moving up the class structure."

The main theme of the above arguments is quite clear: Choice of occupation, in particular, and vertical mobility, in general, are determined by the individual's psychological characteristics and social class is important only to the extent that it influences his values and attitudes. Thus, these arguments suggest that rejection of the values that inhibit social mobility and acceptance of those that are important for self-advancement are necessary for a lower-

class person to go up the social ladder because there are really no major social structural blocks to his status striving. This theme generally applies to most of Western industrialized societies to the extent that these societies are characterized by a relatively open social structure which allows equal access to opportunity for the great majority of their populations. The individual, thus, is relatively free to enter the occupation of his own choice and to engage in instrumental activities that may lead to his self-betterment.

The situation is quite different, however, in the non-industrialized societies. In these societies generally, the individual does not have much say about what occupation he can go into; his success or failure is determined by factors which are usually outside his control. As Hoselitz³³ points out:

"Non-industrial or generally underdeveloped countries are characterized normally by the principle of ascription - as against that of achievement - as the major force assigning social, economic and occupational roles. In other words, a person is assigned a role and acquires a status in society based upon his birth, though there are some cases in which, through the practice of adoption, this principle is somewhat modified. But it appears to be a widespread observation that ascription is a determining force dividing individuals between status groups and, indeed, social classes, and this principle affects not only the relative size and composition of each class within the stratification system, but also determines the lack of facility on mobility within the social system."

Psychological factors, such as motivations and values, thus, seem to have much less relevance to an individual's assumption of a role in contemporary underdeveloped countries than

in Western industrialized societies. It may also be reasonably expected that a society which allocates rewards on the basis of ascription rather than achievement is much less likely to produce individuals with the psychological need to excel, to do well in their work, than in Western industrialized countries where rewards are distributed more on the basis of achievement than ascription. It may be noted here that questions regarding the applicability of the theory of n Ach to "closed" societies have been raised by Crockett.³⁴

Another assumption of n Ach theory, which is closely related to the existence of an open social structure, is that a person is an independent individual who is free to live his life very much as he chooses (short of disrupting the social order). Again, this assumption has more validity for Western societies where independence and self-reliance are relatively more highly valued than in non-industrialized societies where values of passivity and familism are much more pervasive. The nuclear family which is the predominant social unit in Western societies is conducive to and, is probably necessary, for the training of children at an early age in independence and self-reliance. Thus, Western children are expected to be on their own as soon as they reach legal maturity; they are expected to plan their careers, help support themselves through school, and live independently from their parents when they marry and establish

their own families. Again, the situation is quite different in most underdeveloped countries, where social structural arrangements, particularly the extended kinship system, are not conducive to, and, in fact, inhibit the individualistic type of orientation and behavior widely observed in Western societies. In India, for example, the extended family is the basic unit for individual identification and orientation.³⁵ It is the basic unit which determines and around which revolve most of the individual's activities throughout his entire lifetime. The individual is expected to subordinate his personal wishes, even in the matter of choosing his marriage partner, to the interests of the extended family. As Taylor and his associates³⁶ point out:

"The principal features of the (Indian) joint family of tradition are: that it is three-generational in depth, that its members live under the same roof, and that property, of whatever kind, is shared by all. It is a self-sufficient unit socially and economically, the centre of the universe for the whole family, the arbiter of life's important decisions, the supplier of daily and lifetime needs, the reservoir of deep loyalties and bonds of affection. It is a kinship group that serves at once as place of abode and centre for social, recreational, and religious activities. It is within the family circle that all momentous decisions are made - of education, career, marriage - and all important events take place - worship, weddings and other celebrations, births and deaths and their appropriate ceremonies."

"Because of the communal, co-operative nature of joint-family life, a special kind of familism has been developed which involves duties and obligations accepted without question by the family as a whole and by its individual members. Roles within the family and the inter-relationships between them are clearly defined. Responsibility for the young, the aged, the

indigent within the large kinship group is assumed by the family; assistance is expected to be given and returned whenever needed as part of family obligation and duty. Given centuries of this kind of close-knit family living, it is easy to see that deep and abiding loyalties and kinship ties would be outstanding characteristics of joint-family life in India.¹¹

With few exceptions,³⁷ Western students of entrepreneurship and economic development in contemporary non-industrialized countries argue for the break-up of the extended family as a pre-condition to the development of the entrepreneurial spirit in these countries. The assumption for this argument is that an individual who can count on the extended family for help is not likely to have much initiative for self-advancement. Moreover, he cannot be expected to work hard for profits when he knows that he has to share these profits with other members of the extended family.

The Problem

This paper is not in a position to argue for or against the merits of the extended family as a factor in economic development and entrepreneurship. It is concerned with the usefulness of viewing entrepreneurship in India as an individual phenomenon considering the social structural arrangements prevalent in that society. This paper argues that application of the theory of an Ach to Indian society only serves to confirm the individualistic bias of social scientists and does not lead to an understanding of the phenomenon of Indian entrepreneurship. How can one

expect to find the individualistic, independent, achievement-oriented entrepreneur in a rigidly stratified, ascriptive, and family-oriented society like India? As may be expected, application of individualistically-biased theories of entrepreneurship to societies where the pre-condition of open social structure does not exist, invariably ends with a note of pessimism, if not resignation, about the tenability of industrialization in these countries. This paper argues that in a familistic-oriented society like India, it is more meaningful to view entrepreneurship as a family rather than as an individual phenomenon.

The purpose of this paper, therefore, is to compare the efficiency of two alternative approaches to the understanding of Indian entrepreneurship: (1) that of treating Indian entrepreneurship as a function of certain distinct personality characteristics, particularly that of achievement orientation, or (2) that of viewing Indian entrepreneurship as a function of the social structure, particularly of the extended family system. Specifically, the following hypotheses with respect to entrepreneurial role assumption and role performance will be tested.

1. The higher the level of n Ach, the greater is the predisposition of an individual to seek an entrepreneurial role.

The alternative hypothesis suggested by this paper is:

2. Entrepreneurial role assumption is a function

of the extended family system rather than of n Ach.

3. Individuals possessing high n Ach scores are more likely to exhibit entrepreneurial behavioral characteristics (particularly risk-taking, novel or energetic instrumental activity, and individual responsibility) in performing their entrepreneurial roles than individuals achieving low n Ach scores.

The alternative hypothesis suggested is:

4. Entrepreneurial role performance is a function of the structure of the business, specifically of the type of ownership of the enterprise.

5. Individuals with high n Ach are more likely to be successful in their entrepreneurial endeavors than individuals with low n Ach.

The alternative hypothesis is:

6. That entrepreneurial success is a function of the type of ownership of business.

Footnotes to Chapter I

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3. Aitken, ibid, p. 24.
4. Schumpeter, ibid, pp. 88-89.
5. Schumpeter, ibid, p. 65.
6. Schumpeter, ibid, p. 66.
7. Joseph A. Schumpeter, "Economic Theory and Entrepreneurial History," in Aitken, ibid, pp. 52-53.
8. Schumpeter, ibid, pp. 93-94.
9. Everett E. Hagen, On the Theory of Social Change. Homewood, Ill: The Dorsey Press, 1962.
10. David C. McClelland, The Achieving Society. Princeton, N. J.: Van Nostrand, 1961.
11. Hagen, ibid, pp. 8-9.
12. Hagen, ibid, p. 88.
13. Hagen, ibid, p. 30.
14. Hagen, ibid, p. 95.
15. Hagen, ibid, p. 96.
16. McClelland, ibid.
17. McClelland, ibid, p.

18. David C. McClelland, "The Achievement Motive in Economic Growth," Bert Hoselitz & Wilbert E. Moore (eds.), Industrialization and Society. UNESCO-Mouton, 1963. p. 84.
19. See McClelland et al., The Achievement Motive, ibid, and Atkinson, ibid. The basic assumption in using this method of analyzing the achievement motive is that a man is not usually fully aware of the motives that guide his behavior and that these motives could come out best in his fantasy. The scoring system for achievement motive is discussed fully in the two books mentioned above, and is therefore not presented in this paper. It may just be mentioned here that the major criteria for scoring stories as having achievement images are: (1) competition with a standard, (2) unique accomplishment and/or (3) long-term involvement with a goal.
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31. McClelland, ibid, p. _____. An upper class person presumably is more likely to aspire to the most prestigious occupations in the society, which are usually the professions.
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34. Harry Crockett, "Psychological Origins of Mobility," N.J. Smelser and S. M. Lipset (eds.), Social Structure and Mobility in Economic Development. Chicago: Aldine Publishing Co., 1966. p. 289.
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36. Carl C. Taylor, D. Ensminger, H. W. Johnson, and Jean Joyce: India's Roots of Democracy, New York and Washington: Frederick. A. Praeger, Publishers, 1965, p. 68.

37. E.g., B. F. Hoselitz, "Tradition and Economic Growth," in R. Braibanti and J. J. Spengler (eds.), Tradition, Values and Socio-economic Development. Duke University Press, 1961, pp. 81-113. Hoselitz calls attention to the usefulness of the extended family as a source of capital for entrepreneurs.

CHAPTER II

METHODS

Introduction

This chapter deals with the field conditions in which the study took place, the instruments used for data gathering, the concepts and indices that were developed, and the methods of analysis that were used.

The Field Conditions in which the Study Took Place

The present study grew out of a research project conducted in an industrial estate in North India by the Department of Sociology, University of Delhi, under the sponsorship of the UNESCO Research Centre (Delhi). Certain conditions in the industrial estate, as revealed by the survey, seemed favorable for testing the role of the achievement motive in entrepreneurship. As a group, the small-scale manufacturers were reported to have been experiencing fairly rapid growth. For example, the estate's output of Rupees rose from 2,500,000 in 1958, one year after the establishment of the industrial estate, to Rupees 29,000,000 in 1963. This represents an increase of nearly 1200 per cent in five years.¹ Similarly, the number of workers employed in the estate increased by 500 per cent within that same period.² The factories experiencing this tremendous growth were operated by a group of middle and upper middle class highly educated managers, who had been exposed to Western methods of production and management. If n Ach does

have a role in Indian entrepreneurship, it may be reasonably expected that this relationship would show more clearly in this group of manufacturers than in any randomly selected group of entrepreneurs.

The fieldwork lasted for a period of five months (last week of December, 1963 to May 1964). It was initiated by several visits to the factories by an Indian sociologist,³ a Dutch sociologist of the UNESCO Research Centre,⁴ and the investigator in order to gauge the entrepreneurs' willingness to cooperate in such a time-consuming study. The only information given the entrepreneurs was that this project was a follow-up of the previous socio-economic survey conducted in the estate and that we desired to know if there were psychological characteristics common among entrepreneurs. They were told that they would be asked to take some psychological tests. The entrepreneurs cooperated willingly in the project, some with marked enthusiasm, others with a feelings of obligation to a foreigner in their country, a few with a vague idea that they were contributing to the advancement of scientific knowledge, and still others with expectations of some concrete reward for their time and effort. A 51-year old entrepreneur, for example, expected to be informed of the findings about him so that he could change his character, his temperament, his habits, etc., if the findings should show that he would be a better entrepreneur by doing so. Another wanted to know the possibility

of exporting his product to the home country of the investigator.

The Respondents

The respondents in this study were 27 out of the 33 small-scale manufacturers in an industrial estate in North India.⁵ Two of the respondents were engaged in the manufacturing of polyethylene products. The remaining 25 were involved in light-engineering industries, producing cycle parts, lathes, nuts and bolts, etc. Fifteen of the 27 respondents studied were managing family-owned factories; eight were sole proprietors, and four were in partnerships (partners not related by kinship ties) and corporation subsidiaries.⁶ All 27 respondents were engaged in entrepreneurial activities and shall be referred to as entrepreneurs throughout the thesis.

The group of entrepreneurs studied seems to be most appropriate for a test of the role of an Ach on Indian entrepreneurship. These entrepreneurs are more likely than a random sample of Indian small-scale entrepreneurs to exhibit Western-type psychological orientations (e.g., achievement-orientation, activism) and behavioral characteristics that have been commonly associated with Western entrepreneurs, since they have had a greater exposure to Western-oriented education. The majority of them, for example, had been to college; several had had training and/or experience in engineering and business management, prior

to assumption of the entrepreneurial role (mostly through some apprenticeship arrangement). Several had been well-established in highly prestigious occupations, e.g., the government civil service, landlording and technical jobs, prior to going into manufacturing. Thus, if n Ach does influence entrepreneurial role assumption and entrepreneurial performance, this relationship would be better shown in the group of entrepreneurs studied than in a randomly selected sample of Indian entrepreneurs.

The entrepreneurs are described, in the next several pages, in terms of the following variables which are relevant to the objectives of the study: (1) the role he played in setting up the factory, i.e., whether as Initiator or Non-Initiator, (2) the entrepreneur's occupational background, and (3) age. The educational and caste backgrounds of the entrepreneurs are also described briefly although these variables are not directly relevant to the testing of the hypotheses.

Seventeen of the 27 entrepreneurs were sole or main initiators in the establishment of their factories. Of these, only five were in family-owned businesses; all the proprietors and managing partners were Initiators. Eleven of the 17 Initiators were fairly well established in non-business occupations, such as the professions, government service, or landlording, prior to entering the manufacturing occupation. Three were originally in trading or commercial occupations,

while the other three Initiators started their occupational careers in manufacturing.

Ten of the entrepreneurs were Non-Initiators, i.e., they either took over management of the firm after it had been fairly well established, or they were set up in business through the initiative and/or efforts of another person. All Non-Initiators were managing family-owned businesses. With one exception, each of the Non-Initiators started their occupational careers in manufacturing or trading.

More than two-thirds (19 out of 27) of the entrepreneurs had been to college. Two of the 19 had Master's degrees in the social sciences; two others had taken post-collegiate courses in Business Management. One entrepreneur had Bachelor's degrees in both Arts and Law. Only three of the college graduates held degrees in engineering while two had Commerce degrees. The remaining eight entrepreneurs had from nine to 12 years of school.

Nearly one-half (13 out of 27) of the entrepreneurs were 40 years old or younger. The median and mean ages were 40 years and 42.6 years, respectively. Entrepreneurs in family-owned businesses tended to be somewhat younger. The median and mean ages of the managers of the family enterprises were 36 and 41.3 years, respectively, as compared to 47.5 and 47.1 years among the proprietors, and 44.5 and 42.5 years among those in the partnerships and corporation subsidiaries.

More than one-half (14 out of 27) of the entrepreneurs belonged to the Khatri caste, which is traditionally the warrior caste in India. Four others were Aroras, who were traditionally traders. There were two each in the Vaishya (peasant) caste; Brahman or priestly caste, and Rajput, a regional caste which was traditionally a warrior caste. There was one each from three religious groups which do not observe the Hindu caste system - the Jain, Sikh, and Christian groups.⁷

The Instruments Used

To measure need achievement (n Ach) two projective tests were used: the Thematic Apperception Technique (TAT) and a sentence completion test of achievement motive. These tests are described below.

The TAT used consisted of 10 selected cards of an Indian version of Murray's TAT pictures.⁸ Each picture depicts an individual, either alone or with others, in some situation, state, or activity, which, while fairly structured, could be interpreted in different ways, presumably depending upon the psychological needs of the person telling the story. The pictures are described below.

Card 1. A young man is contemplating a violin which rests on a table in front of him.

3BM.⁹ On the floor against a couch is the bundled form of a boy with his head bowed on his right arm. Beside him on the floor is a revolver.

- 6BM. A grey-haired man is looking at a young man who is lying on a couch with his eyes closed. Leaning over him is the gaunt form of an elderly man, his hand stretched out above the face of the reclining figure.
14. The silhouette of a man (or woman) against a bright window. The rest of the picture is totally black.
16. Blank card.
- 17BM. A naked man is clinging to a rope. He is in the act of climbing up or down.
- 18BM. A man is clutched from behind by three hands. The figures of the antagonists are invisible.
20. The dimly illuminated figure of a man (or woman) in the dead of night leaning against a lamp post.

The Indian version of the TAT has retained the stimulus value of Murray's TAT, as can be seen from the description of the pictures above, with only the features and clothes of the figures and the background being Indianized. As far as the investigator knows, this was, at the time of this study, the only Indian version used extensively in Northern India and had been fairly well standardized among North Indians. The TAT responses were intended to measure both n Ach⁹ and, hopefully, to give the investigator some insight into the motivational characteristics of the entrepreneurs. Responses to the test were very meagre. It was decided, therefore, to use only the TAT blank card and TAT Cards 1, 14, and 17BM which have been found by other investigators¹⁰ to have a "strong tendency" to elicit achievement themes.

To measure n Ach, specifically, a sentence completion test adapted from Rogers'¹¹ scale of achievement motivation was used. This test consisted of 12 incomplete sentences as follows:

1. In the next ten years I am going to _____.
2. Today, to have success in industry, one _____.
3. A true man is one who _____.
4. Industrialists in our country need _____.
5. A good industrialist must have _____.
6. If I don't progress in my work, I _____.
7. That which I wish to have in the future in my factory is _____.
8. My greatest aspiration in life is _____.
9. The thing most necessary for my business is _____.
10. I wish that my oldest son _____.
11. For a better life as an industrialist, I need _____.
12. To obtain the greatest personal satisfaction from my work, I need _____.

Each entrepreneur was asked to complete each of the 12 incomplete sentences with the first word or words that came to his mind. He was given the option to either write down his own responses or dictate them to the investigator.

Each of the 12 sentence-completion items was scored according to the scoring scheme described below. The maximum possible score an individual could get was 60 points.

SCORING CRITERIA FOR ACHIEVEMENT MOTIVATION

Point "0" - Answer without relation to Achievement Motivation

01. Liberty or independence, patriotism, democracy, citizenship, power, leadership, dominance, begging
02. Importance of the family, familism
03. Association, affiliation, response, sex
04. New experience, commotion, pure affection, honesty
05. Ethics, altruism, emotional security
06. Execution without evaluation, serving, selling, living
07. Religion, spiritual
08. Others.

Point "1" - Partial Indicators of Achievement Motivation

11. Material concerns: Examples: health benefits, prosperity, richness, acquisition, property, security, material comfort, debts, help, taxes, and other material things.
12. Work
13. Others

Point "2" - Partially implied Achievement motivation

21. Relative to the new or modern
22. Relative to knowledge
23. Relative to size and quantity
24. Relative to difficulties of execution
25. Others

Point "3" - Implicit Achievement Performance

31. Relative to care and efficiency
32. Relative to intensity, perseverance, wish, industry, education, ambition

33

Point "4" - Explicit Achievement Performance

41. Definite goals of achievement performance

Examples of Key words:

advance	handsome	better than
nice	ideal	worse than
good	wrong	lost
in agreement	decreasing	worst
exact	the best	poor
excellent	bad	progress
success	wonderful	proper
failure	mediocre	staying behind
gain	improve	to advance
		etc.

Point "5" - Need for Achievement

51. Key words giving examples for the need for achievement: wish, intention, need, necessity, attempt, etc.

Biographical and socio-economic data were obtained through extended interviews with the entrepreneurs as well as from the file of a previous socio-economic survey conducted in the estate by the University of Delhi Department of Sociology under the sponsorship of the UNESCO Research Centre.

Validity and Reliability of the Measures Used

The two projective tests used, namely, the TAT and the sentence completion test, were used as checks against each other for validity. The validity and reliability of the TAT pictures used, moreover, have been well established by the Manovigyan Shala mentioned earlier, which extensively standardized the pictures among North Indians. The validity and reliability of sentence completion tests as measures of *n Ach* have also been established by other investigators.¹³ Interjudge correlations (ρ) ranging from .59 to .79 were obtained for the sentence completion test used among four independent scorers.¹⁴

An interjudge agreement of 90.0 per cent was obtained from two scorers working independently in measuring entrepreneurial performance.

Concepts and Indices

1. Entrepreneur - In this study, entrepreneur is simply defined as the proprietor, or the managing partner in case of a partnership, or the individual occupying the managerial position at the time of this study, in family-owned enterprises. In some cases of family business where two or more brothers are reported as having equal power and responsibility, the elder or eldest brother is studied on the assumption that the latter would tend to be "more equal," so to speak, than the younger brother/s in the age-based

hierarchical structure of the Indian family system.

2. Need for achievement (n Ach) is defined as "a desire to do well, not so much for the sake of social recognition or prestige, but to attain an inner feeling of personal accomplishment."¹⁵ In this study the term n Ach is operationalized in two ways: (1) an individual's score derived from a 5-point sentence completion test of achievement motivation, and (2) the number of achievement-related images to TAT Cards 1, 14, 17BM, which, as previously noted, have been found by other investigators to have a strong tendency to elicit achievement images, and Card 16, the blank card.

3. Extended family is characterized by the following features: "It is three-generational in depth (i.e., extending from the grandparents through the grandchildren), its members live under the same roof, and property, of whatever kind, is shared by all. It is a self-sufficient unit socially and economically, the centre of the universe for the whole family, the arbiter of life's important decisions, the supplier of daily and lifetime needs, the reservoir of deep loyalties and bonds of affection. It is a kinship group that serves at once as place of abode and centre for social, recreational, and religious activities. It is within this family circle that all momentous decisions are made - of education, career, marriage - and all important events take place - worship, weddings and other celebrations,

births and deaths and their appropriate concerns."¹⁶ For purposes of this paper, extended family is operationalized as a unit characterized by joint ownership of a business enterprise by at least the father and his son and the latter's family, or two brothers and their respective families.

4. Type of ownership refers to whether the factory is a proprietorship, i.e., owned and managed by one individual; a partnership, i.e., joint ownership and/or ownership with another individual or group unrelated by kinship ties to the entrepreneur studied; and family business, i.e., an enterprise owned and/or run by the extended family.

5. Role assumption refers to the choice of an occupation, in this case, of industrial entrepreneurship, and the instrumental activities engaged in by the individual in seeking to establish and maintain himself in such an occupation. Two criteria of entrepreneurial role assumption are used in this paper: (1) the entrepreneur's first occupation which, following McClelland's thesis that high n Ach predisposes a man to seek an entrepreneurial occupation, may be taken as indicative of the individual's first occupational choice; and (2) the extent of the entrepreneur's responsibility and involvement in the establishment of the business enterprise, i.e., whether the business firm or factory was established solely or mainly through the entrepreneur's own

initiative and efforts (such an individual is referred to in this paper as Initiator) or whether the individual was not directly instrumental in the establishment of the factory (Non-Initiator). The latter would be one who assumed management of the family firm when it was more or less well-established; or he could be one who had other or no occupational plans but had been set up in business by the extended family either through persuasion or pressure.

6. Entrepreneurial performance refers to two things: (1) the degree to which the individual fulfills the requirements of the entrepreneurial role, as revealed in his occupational history. Entrepreneurial performance in this context is operationalized as the sum of combined scores from a 5-point scale of entrepreneurial behavior measured by the following criteria: risk-taking, novel or instrumental activity, and individual responsibility.¹⁷ (2) Entrepreneurial performance also refers to the number of other business interests, such as other factories, retail shops, real estate business, etc. - of the entrepreneur outside the estate which, for purposes of this study, is considered an objective evidence of entrepreneurial success. The number of obusiness interests outside the estate is used as a measure of business success since the Small Scale Industries Board sets upper limits of capitalization and scale of operation outside of which the factory would have to leave

the estate.¹⁸ The entrepreneur, therefore, is able to plough back his profits in his estate factory only to a limited extent. The main outlets for expansion left to the entrepreneur is to establish other factories outside the industrial estate, or to invest in other businesses, e.g., real estate, cinema, etc.¹⁹

Methods of Analysis Used

To test Hypotheses 1 and 2, the entrepreneurs were dichotomized on each of the following variables: (1) n Ach, (2) type of ownership of business, (3) first occupation, and (4) role in establishing the factory. It might be mentioned here again that to measure n Ach only the sentence completion test results were used since responses to the TAT were meagre and nonproductive. Each entrepreneur was classified as having "high" or "low" n Ach. The entrepreneurs were further classified as belonging to family-owned enterprises in contrast to those in proprietorships and partnerships. The entrepreneurs' occupational backgrounds were classified into business and non-business. The entrepreneurs were then divided into Initiator and Non-Initiator, depending on the role they played in setting up the factory. The independent variables (n Ach and type of ownership of factory) and the dependent variables (occupational background and role in establishing the factory) were then cast into 2 x 2 contingency tables. Chi square was employed as the statistical test of significance.

To test Hypotheses 3 and 4, evidences of entrepreneurial behavior (risk-taking, novel or energetic instrumental activity, and individual responsibility) were derived from an examination of the entrepreneurs' occupational histories, using a 5-point scale for each of the three criteria. An individual's scale scores on each of the three criteria of entrepreneurial behavior were then combined, producing a single entrepreneurial performance score for each respondent. The entrepreneurs were then dichotomized into "high" or "low" categories of entrepreneurial performance using the group median as a basis for classification. The dependent variable, entrepreneurial behavior, was then examined against both n Ach scores and type of ownership of factory.

To test Hypotheses 5 and 6, entrepreneurial success was measured in terms of the presence or absence of other business interests the entrepreneurs might be engaged in, e.g., another factory, real estate development, etc. Entrepreneurial success was then related to both n Ach and type of ownership of factory.

Footnotes to Chapter II

1. The amounts quoted above were equivalent to \$526,315 and \$6,105,263, respectively, at the time of the study.
2. Verbal communication from Mr. Chatterjee, Administrative Officer of the estate.
3. Mr. Surinder Khatri, then candidate for Ph. D. in Sociology at the University of Delhi, and a field investigator in the previous socio-economic survey conducted in the estate under the sponsorship of the UNESCO Research Centre. Without Mr. Khatri's assistance, the fieldwork might have been very difficult. He introduced the investigator to the entrepreneurs, accompanied her for more than a month in her daily visits to the factories, to the houses of the entrepreneurs, to the exclusive businessmen's clubs where interviews were sometimes held. He was most helpful to the investigator not only in establishing rapport with the entrepreneurs but also in the general conduct of the fieldwork.
4. Dr. Otome Klein, Ph. D. in Sociology and Associate Expert of the UNESCO Research Centre, who spent innumerable hours guiding the investigator during various stages of the project, outside and beyond the call of duty. Dr. Klein also gave the investigator much needed and appreciated moral support.
5. The other six entrepreneurs were either unavailable or had to be dropped during various phases of the investigation for various reasons, particularly time pressure on both the entrepreneurs and the investigator.
6. There were two corporation subsidiaries in the industrial estate, aside from the exclusively family-owned corporation subsidiary mentioned in the footnote to Table 1. One of the two was a subsidiary to a private limited company and was being managed by the entrepreneur who originally established it as a partnership but was forced to sell out to the big corporation during a power struggle with his partners. The other was a subsidiary to a large-scale public limited company reported to be originally established

and at the time of the study, still managed, by the entrepreneur studied. For purposes of this paper, these two subsidiaries were placed in the same category as the partnerships.

7. No attempt will be made in this paper to associate any of the variables studied with caste membership. The caste distribution of the entrepreneurs is given here just for the record and also to call attention to the predominance of one caste, Khatri, which was originally the warrior caste in India.
8. These were adapted to Indian culture by the Manovigyan Shala of Allahabad, Uttar Pradesh, which had very kindly lent the UNESCO Research Centre a copy of the set.
9. BM means that the picture can be used for both boys and adult males.
9. An Indian version of McClelland's Test of Imagination described in J. W. Atkinson (ed.) Motives in Fantasy, Action, and Society. Princeton: Van Nostrand, 1958. Was not available at the time of the study.
10. Howard A. Moss and Jerome Kaga, "Stability of Achievement and Recognition-Seeking Behavior from Early Childhood through Adulthood," Journal of Abnormal and Social Psychology, 1961, Vol. 6.
11. Everett M. Rogers and Ralph E. Meill's "Escala de Motivacion de Logro," used in their project "Measuring Achievement Motivation among Farmers in Colombia." Dr. Rogers had very kindly gone through this investigator's adaptation of the sentence completion test and had generously given her assistance in scoring the test.
12. The complete test is reproduced in Appendix A.
13. E.g., Morrison, 1962 and Meill, 1963.
14. Three of the scorers were at the time graduate students working under Dr. E. V. Rogers at Michigan State University - Mr. and Mrs. Eduardo Ramos of Colombia and D. P. Yadao of India. The investigator was the fourth scorer.
15. McClelland, op. cit.

16. Carl C. Taylor, Douglas Ensminger, Helen W. Johnson, and Jean Joyce, India's Roots of Democracy. New York: Frederick A. Praeger, Publishers, 1965, p. 68.
17. McClelland, ibid. Two other criteria of entrepreneurial behavior mentioned by McClelland, namely, knowledge of results and anticipation of future possibilities, were not used in measuring entrepreneurial performance here since data obtained from the occupational histories and interviews of the entrepreneurs did not give indications of these two criteria of entrepreneurial behavior. Two scores working independently went through the detailed occupational history of each of the Ss and scored each S on degree of risk-taking, shown by the S during his business career. The highest possible performance score was 15 points.
18. The industrial estate, like others of the same kind in other parts of the country, built to encourage the development of small-scale industries. "Small industry is defined as an enterprise employing not more than fifty workers with power machinery or one hundred workers without power machinery, and having capital investment of not more than Rs.500,000 (\$105,000)." From William Bredo, Industrial Estates. Glencoe, Ill.: The Free Press, 1960, p. 28.
19. Alternatively, the estate factory may serve as an outlet for the expansion of an entrepreneur's business established before the industrial estate was opened in 1957.

CHAPTER III
RESULTS AND DISCUSSION

Introduction

This chapter presents the results obtained from a study of selected psychological and sociological factors which were associated with Indian entrepreneurship. Specifically, this chapter examines the relative efficiency of n Ach and the extended family system as factors in understanding entrepreneurial role assumption and role performance among a group of small-scale Indian manufacturers. The results of this study and the discussion of results are presented in two sections: (1) factors associated with entrepreneurial role assumption, and (2) factors associated with entrepreneurial role performance.

In section one the tenability of two alternative hypotheses were tested:

1. The higher the level of n Ach, the greater the predisposition of an individual to seek an entrepreneurial role.

The alternative hypothesis suggested by this paper is:

2. Entrepreneurial role assumption is a function of the extended family system rather than of n Ach.

To test Hypotheses 1 and 2, the following procedures were employed: (1) The entrepreneurs were dichotomized into "high" and "low" n Achievers. The median scores achieved on a sentence completion test designed to measure n Ach was

used as the breaking point for the dichotomy. (2) Information about extended family involvement in business in each of the factories in the estate was obtained from the files of an independent socio-economic survey conducted approximately two years previous to this study, and from the estate administrative office. Extended or joint family will be referred to simply as family for purposes of this paper. The most efficient measure of family involvement in a firm seemed to be indicated by the type of ownership of the firm. The data indicated that the industrial firms studied could be divided into three groups, i.e., family-owned, partnerships (partners not related by kinship ties), and proprietorships. The latter two categories were collapsed for purposes of analysis. This procedure was consistent with the objective of studying the influence of the extended family on entrepreneurial role performance. Moreover, the small number of partnerships (four out of 27 firms investigated) necessitated the procedure. (3) Predisposition to entrepreneurial role assumption was operationalized in two ways. The first measure employed was initial occupation of the entrepreneur. The second measure was the role he played in establishing the industrial firm, i.e., the degree of initiative and responsibility taken by the entrepreneur in setting up the business (whether initiator or non-initiator). The occupational backgrounds of the entrepre-

neurs were dichotomized into business and non-business occupations. Business occupations included both industry and salesmanship or trading. Non-business occupations included the professions, technical jobs, landlording, and government civil service. The independent variables (i.e., nAch and type of ownership of business) and the dependent variables (i.e., occupational background and role in setting up the business) were set up in 2 x 2 contingency tables and tested statistically by means of chi square.

In the section on factors associated with entrepreneurial performance, the following hypotheses are tested.

3. Individuals possessing high n Ach scores are more likely to exhibit entrepreneurial behavioral characteristics (specifically, risk-taking, novel or energetic instrumental activity, and individual responsibility) in their entrepreneurial roles than individuals achieving low n Ach scores.

The alternative hypothesis suggested is:

4. Entrepreneurial role performance is a function of the structure of the business, specifically of the type of ownership of the enterprise.

To test Hypotheses 3 and 4, the occupational histories of the entrepreneurs were investigated for evidences of entrepreneurial activity, e.g., introduction of new products, risk-taking, etc. On the basis of these indicators of entrepreneurial activity, each entrepreneur was assigned a score on each of three 5-point scales designed to measure risk-taking, novel or energetic instrumental activity, and individual responsibility. The scores achieved on these

three criteria of entrepreneurial behavior were combined into a single score for each individual. The entrepreneurs were then dichotomized into those with "high" and those with "low" entrepreneurial scores, using the median of the combined scale scores as the basis for the dichotomy. The association between level of entrepreneurial performance, n Ach, and type of ownership of business was then examined using appropriate statistical tests of significance.

5. Individuals with high n Ach are more likely to be relatively successful in their entrepreneurial endeavors than individuals with low n Ach.

The alternative hypothesis is:

6. Entrepreneurial success is a function of the type of ownership of business.

Entrepreneurial success is defined as involvement in at least one other business interest, e.g., another factory, real estate development, sales shop, etc., in addition to the estate factory. The entrepreneurs were dichotomized into those who had additional business interests and those involved only in the estate factory. Entrepreneurial success, as defined, is then associated with both n Ach and type of ownership of business.

The results of testing the three sets of hypotheses above and discussion of these results are presented below.

Factors Related to Entrepreneurial Role Assumption

- Hypothesis 1. The higher the level of n Ach the greater the predisposition of an individual to seek an entrepreneurial role.

Following McClelland's proposition that high n Ach predisposes an individual to seek an entrepreneurial role, it is reasonable to expect that entrepreneurs who started their occupational careers in business (i.e., in trading or manufacturing) should have higher n Ach than those who started out in relatively less risky occupations, such as the professions, government civil service, technical jobs, and landlording. As stated earlier, this expectation is based on the assumption that the individual is free to choose his occupation and that his first job is the line of work which he finds most attractive or which he perceives to be the one most suitable for him. The prediction that entrepreneurs with business backgrounds would have higher n Ach than entrepreneurs with non-business backgrounds, however, is not supported by the findings of this study. As shown in Table 1,

Table 1. Level of n Ach and the entrepreneurs' first occupation

n Achievement	Occupational Background		Total
	Business*	Non-Business	
High	9	5	14
Low	6	7	13
Total	15	12	27

*The trading and manufacturing groups were combined because they showed no difference in their n Ach scores.

$$X^2 = 0.3042 \quad p \geq .50$$

$$df = 1$$

$$\text{Corrected } X^2 = 0.0254 \quad p \leq .90$$

level of n Ach failed to discriminate between entrepreneurs who presumably chose to start their occupational careers in entrepreneurial occupations and those who allegedly preferred relatively less risky occupations, such as the professions or government civil service.

As mentioned earlier, the hypothesized relationship between n Ach and occupational background is based on the assumption that the individual is free to choose his occupation. There are indications, however, that occupational role assumption may be influenced by factors other than personal choice. This point will be discussed in greater detail later in the paper. The discussion at this point may be concluded with the suggestion that the finding of no relationship between occupational background and n Ach may be explained by the observation that the assumption of freedom of choice of occupation may not be as tenable among the entrepreneurs studied as in other groups of individuals where empirical relationships between n Ach and occupation were obtained (e.g., McClelland, 1961).

It was similarly predicted from the proposition that high n Ach predisposes an individual to seek an entrepreneurial role, that entrepreneurs who had taken the sole or main initiative and responsibility in setting themselves up in industrial entrepreneurship are more likely to have high n Ach than entrepreneurs who filled ready-made and well-

established entrepreneurial positions. As shown in Table 2 below, the data obtained do not support the predicted

Table 2. Level of n Ach and role in establishing the factory*

n Achievement	Role in Establishing Factory		Total
	Initiator	Non-Initiator	
High	8	6	14
Low	9	4	13
Total	17	10	27

*Not necessarily the factory in the estate since many of the entrepreneurs had been engaged in small-scale manufacturing before the estate was opened in 1957.

$$\chi^2 = 0.4223 \quad p \leq .70$$

$$df = 1$$

$$\text{Corrected } \chi^2 = 0.0630 \quad p \leq .90$$

relationship between n Ach and role in establishing the factory. The Initiators and the Non-Initiators are not differentiated in terms of their level of n Ach. This finding, however, should be interpreted with caution. The inability of the data obtained to support the predicted relationship between n Ach and role initiation may be partly due to the measures used. The circumstances under which role initiation took place, moreover, could not be controlled to enable us to study the high and the low n Achievers under comparable conditions, e.g., equal opportunity among both the high and the low n Achievers to establish their own factories. The last statement brings us directly to the alternative hypothesis suggested by this paper. This hypo-

thesis is concerned with the sociological context, particularly the type of ownership of the enterprise, under which the entrepreneurs made their entry into both their first occupation and into industrial entrepreneurship.

Hypothesis 2. Entrepreneurial role assumption is a function of the structure of the business, specifically of the type of ownership of the enterprise.

It is predicted from the above hypothesized relationship between entrepreneurial role assumption and structure of the business that entrepreneurs of family-owned firms are more likely than proprietors and managing partners to have come from entrepreneurial backgrounds.

The data presented in Table 3 below suggest that entry

Table 3. Type of ownership of firm and occupational background

Type of Ownership	Occupational Background		Total
	Business	Non-Business	
Proprietorship & Partnership	4	8	12
Family Business	11	4	15
Total	15	12	27

$$\chi^2 = 4.3200 \quad p \leq .05$$

$$\text{Corrected } \chi^2 = 2.8518 \quad p. \leq .10$$

$$df = 1$$

into entrepreneurship is facilitated for the manufacturers studied by the extended family system. Table 3 indicates that respondents in family-owned firms generally began their occupational careers in business while those in non-family

businesses, particularly the proprietors, started out in non-business occupations. Eleven of the 15 entrepreneurs in family-owned firms compared to one of the eight proprietors and one of the four managing partners started out in business. The extended family business served as training ground for nine of the 11 family-business managers with entrepreneurial backgrounds. For four of these nine, entry into their entrepreneurial occupations was a matter of family obligation which they could not ignore in spite of their indifference or resistance to business. One of them stated, for example, "I would rather go into architecture" but had to join the family business instead "in deference to the wishes of my father and eldest brother." The remaining five entrepreneurs had been socialized into the family business since their early teens and the possibility of doing something else apparently did not occur to them. As one entrepreneur puts it: "I had no choice; my forefathers had been in this business since 1888." Entry into entrepreneurship for two of the 11 entrepreneurs under consideration had also been facilitated by family wealth or the pooling of financial and manpower resources among the family members.

The extended family system also facilitated occupational shifts for the four entrepreneurs in the fourth cell of Table 3. The extended families of two of them, who were

former civil servants, were engaged in business at the same time that the two entrepreneurs were working for the government. The families' involvement in business not only facilitated but also necessitated, entry into entrepreneurship. One entrepreneur, for example, had to resign from his 30-year government career in order to help out in the rapidly expanding family business. Two of the four men under consideration did not have business positions waiting for them to fill out but similarly received a great deal of financial assistance from the extended family in setting up their businesses.

The tendency to follow the family occupation was also observed among the proprietors. Except for one, the proprietors were originally engaged in non-entrepreneurial occupations. The fathers of these entrepreneurs similarly came from white-collar, landlording, or government civil service backgrounds. It appears that for most of the proprietors, the extended family was not instrumental in their decision to shift to manufacturing from their non-entrepreneurial occupations. For at least two of the eight proprietors, moreover, family resistance or lack of support served to delay realization of the proprietors' entrepreneurial interests. One entrepreneur, for example, had wanted to quit his law practice to go into manufacturing because he felt that he had "aptitude for industry." His

father, however, did not think highly of entrepreneurial occupations and would not give his son permission to shift to small-scale manufacturing. The entrepreneur had to wait until his father left town before he could invest his wife's dowry in a small nuts-and-bolts factory.

There are no data, however, to show that the proprietors in general would have preferred entrepreneurial to the non-entrepreneurial occupations they had gone into prior to shifting to industry. Most of the proprietors, on the contrary, seemed to have had no particular interest in manufacturing but were thrust into it by a combination of circumstances. An illustrative example is a proprietor who was employed as an engineer in a private firm for some twenty years. He had to resign from his job because he "didn't see eye to eye" with his employer. He then went into manufacturing since finding another employment was made difficult by his relatively advanced age. Moreover, conditions then seemed favorable for manufacturing the product he had specialized in as an employed engineer.

The managing partners are more similar to the managers of family-owned businesses than to the proprietors in terms of their occupational backgrounds. Only one of the four managing partners came from non-business background. This entrepreneur, an engineer by formal training, purposely sought employment as engineer to get practical experience

before starting his own factory. Two others were salesmen prior to going into industrial entrepreneurship. The last man in the partnerships started out in manufacturing on a partnership basis but was allegedly cheated by his financial partner. This entrepreneur quit manufacturing and shifted to trading. He did not go back to industrial entrepreneurship until 20 years later when he found another partner whom he felt he could trust.

The role of the extended family in making it relatively easier for a person to engage in manufacturing is supported by the finding that entrepreneurs managing family-owned factories assumed their entrepreneurial roles at a relatively younger age than those who were in proprietorships or partnerships. As shown in Table 4, 10 of the 12 proprietors and managing partners entered manufacturing at the age of

Table 4. Type of ownership of business and age of entry into manufacturing

Type of Ownership	Age of Entry into Manufacturing		Total
	'At or above Mdn.'	'Below the Mdn.'	
Proprietorship & Partnership	10	2	12
Family Business	5	10	15
Total	15	10	27

NOTE: Total Mean Age = 29.1 years
Total Median Age = 27.0 years

$$X^2 = 6.7500 \quad p \leq .01 \quad df = 1$$

$$\text{Corrected } X^2 = 4.8768 \quad p \geq .02$$

27 years (median age for the total sample) or older compared to only five of the 15 entrepreneurs in family-owned firms who belonged to the same age group. This finding may probably be expected since, as mentioned earlier, the entrepreneurs in proprietorships and partnerships are more likely than those in family-owned businesses to have spent some years in non-business occupations prior to establishing their own factories.

It may be noted here that statistical analysis of the relationship between level of n Ach and age of entry into manufacturing shows results which are not significantly different than could be expected by chance.

It is similarly predicted from the hypothesized relationship between entrepreneurial role assumption and structure of business that Initiators are more likely to be found in proprietorships and partnerships while Non-Initiators are likely to be managing family-owned enterprises.

Data presented in Table 5 strongly suggest that entrepreneurial role initiation is a function of the type of ownership of the enterprise. Two-thirds (10 out of 15) of the entrepreneurs managing family-owned factories are Non-Initiators, i.e., they did not play a major role in establishing their factories, and, therefore, did not have to go through the problems and difficulties one would reasonably expect to encounter in such an undertaking. On

Table 5. Type of ownership of factory and role in establishing the factory

Type of Ownership	Role in Establishing Factory		Total
	Initiator	Non-Initiator	
Proprietorship & Partnership	12	0	12
Family Business	5	10	15
Total	17	10	27

$$\chi^2 = 12.7058 \quad p \leq .001$$

$$df = 1$$

$$\text{Corrected } \chi^2 = 10.0078 \quad p \geq .001$$

the other hand, all the entrepreneurs in proprietorships and partnerships had taken the main or sole initiative and responsibility in setting up their factories. Thus, entrepreneurial role assumption is greatly facilitated for the great majority of the managers of family-owned enterprises. Family business served both as a training ground where they acquired the necessary skills for carrying on the management of their industrial firms and as the main supplier of technical and financial resources. It was observed earlier that for some of the Non-Initiators, going into manufacturing was more a family obligation than personal choice. It may be noted at this point that the majority of the entrepreneurs (15 of the 27) explicitly stated that they expected their own sons to join the business just as many of them apparently were expected to follow the family occupation. It is possible that the others simply assumed that their sons would

join the business when their services are called for. Several of the entrepreneurs, in fact, had sons or nephews assisting in the factories or undergoing technical training in preparation to joining the family business. Since only a few of the entrepreneurs had sons old enough to assist in the factories or go to college at the time of this study, the number of sons and nephews involved in their fathers' or uncles' factories would probably increase when these sons and nephews come of age. A further indication that the entrepreneurs studied expect to pass on the factories to their sons is the expressed desire among the great majority of them to have their sons undergo technical training, particularly engineering.

Among the Initiators in family-owned businesses, the extended family had also been a source of manpower and technical assistance. An illustrative example is that of an entrepreneur who pooled not only financial but also managerial and technical skills with his two brothers to establish an ice factory. The three Brothers are equal partners in the family business but had arranged to manage the factory on a rotational basis. This managerial arrangement apparently enabled the brothers to explore other business opportunities so that they were able to establish, a few years later, a factory of steel doors and windows. The cooperation and pooling of resources are, in fact, so

widespread among the Initiators in the family businesses that it is probably not profitable to single out one individual as the Initiator.

The Initiators in the proprietorships and partnerships who went into manufacturing with minimum or without the backing of the extended family generally met with difficulties and problems which were not encountered by the Initiators in family-owned businesses. Three of them, for example, who lacked the financial resources and had, therefore, to take in financial partners to establish their factories, had initially suffered losses allegedly due to being cheated by their partners. These partnerships were generally besieged by constant conflicts among the partners. Generally, the proprietors and the managing partners entered manufacturing with neither technical nor managerial know-how or experience. Only two Initiators, the only engineers in the non-family businesses, had had previous experience in manufacturing. They acquired this experience as employed engineers in private firms. None of them had any training or experience in business administration prior to going into manufacturing. Thus, unlike in the family businesses where usually at least one member of the family has had training in engineering or business management, the entrepreneurs in the proprietorships and partnerships had to handle both the technical and the managerial aspects of

manufacturing in neither of which they usually had had training nor experience. An illustrative example is a former salesman who decided to manufacture the product he was selling when import restrictions so curtailed the supply of this product that he was unable to meet customers' demands for it. His only knowledge of manufacturing came from his contact with the product as a salesman.

Summary of Findings with Respect to Entrepreneurial Role Assumption

Data obtained in this study suggest that n Ach does not influence entrepreneurial role assumption. Statistical analysis of the data reveals no significant relationships between n Ach and the indicators of role assumption used: (1) the first occupation of the entrepreneur, (2) the role he played in establishing the industrial firm, i.e., whether or not the entrepreneur had taken the sole or main initiative and responsibility in setting up the enterprise, and (3) the relative age of entry of the entrepreneurs into manufacturing.

On the other hand, the above indicators of role assumption have been found to be related to the type of ownership of the industrial firm. Thus, entrepreneurs who started their occupational careers in business or manufacturing are more likely to be found in family-owned enterprises than in proprietorships or partnerships. All the entrepreneurs in the latter type of ownership, moreover, have been found to have taken the main initiative and responsibility in setting

up their factories while only five of the 15 entrepreneurs in family-owned firms were initiators. Moreover, managers of family-owned enterprises were found to have assumed their entrepreneurial roles at a younger age than those in either proprietorships or partnerships. These findings on the relationships between type of ownership and entrepreneurial role assumption indicate that the Indian extended family system facilitates entry into entrepreneurship for the majority of the entrepreneurs studied. There are indications that the extended family system not only provides manpower and financial resources but also serves as a training ground for potential entrepreneurs. The data obtained also suggest that the entrepreneurs tended to follow their fathers' occupations and that the entrepreneurs expect their own sons to follow the family occupation. This observed tendency for sons to follow the family occupation probably explains the obtained relationships between type of ownership of the business and the respondents' entrepreneurial role assumption.

Factors Related to Entrepreneurial Performance

Hypothesis 3. Individuals with high n Ach are more likely to exhibit entrepreneurial behavioral characteristics (specifically, risk-taking, novel or energetic instrumental activity, and individual responsibility) than individuals with low n Ach.

The hypothesized relationship between n Ach and entre-

preneurial behavioral characteristics is based on the assumption of n Ach theory that the behavioral correlates of the psychological need to excel, to do well, would be congruent with the role demands of entrepreneurship. The particular role demands of entrepreneurship under consideration are risk-taking, novel or energetic instrumental activity, and individual responsibility. Individuals who are high in Ach, therefore, are more likely to exhibit the behavioral characteristics necessary for the performance of the entrepreneurial role. The results presented in Table 6, however, show no statistically signifi-

Table 6. Level of n Ach and entrepreneurial performance

n Achievement	Entrepreneurial Performance		Total
	High	Low	
High	7	7	14
Low	10	3	13
Total	17	10	27

$$X^2 = 2.0952 \quad p \geq .10$$

$$df = 1$$

$$\text{Corrected } X^2 = 1.0997 \quad p \leq .30$$

cant relationship between n Ach and entrepreneurial performance. It might be noted from the Table above that the direction of the relationship between n Ach and entrepreneurial performance is towards the opposite of that hypothesized. Thus, a large proportion (10 out of 13) of the

entrepreneurs with low n Ach manifested a relatively high level of entrepreneurship compared to only seven out of the 14 entrepreneurs with high n Ach. Or, to restate the findings in another way, of the 17 entrepreneurs who were high in entrepreneurial performance, 10 were found to have relatively low n Ach while only seven have high n Ach. This finding should, of course, be interpreted with caution, until more precise measures of n Ach and entrepreneurial performance are developed. Mere speculations may be offered for this finding. One possibility may be that the behavioral correlates of n Ach among the entrepreneurs studied are different from those commonly associated with the achievement motive. The universality of the behavioral manifestations of n Ach so far has been an unproven assumption. Knowledge of the characteristics of achievement-oriented Indians in general, and entrepreneurs in particular, is practically non-existent. Some observations during the fieldwork may be briefly noted here to dramatize the argument for the need to study the behavioral correlates of n Ach among Indian entrepreneurs, before the finding presented above may be meaningfully interpreted. An entrepreneur who ranked high in n Ach among those studied, for instance, wanted to be a good entrepreneur but, although he had taken two years of post-collegiate courses in Business Administration, he was convinced that the best way to learn to be a good entre-

preneur was to go through a 5-year religious training. On the other hand, an entrepreneur who was found to be low in n Ach expressed his readiness to "change my character, my temperament, and my habits," if analysis of the data about him should indicate that he could be a better entrepreneur by doing so. While these are extreme cases, they do raise the question of the need for research on the personality and behavioral manifestations of the psychological need for achievement for non-Western individuals. Other data obtained, however, suggest that another possible explanation for the finding is that entrepreneurial behavior is a situational response rather than a pattern of behavioral characteristics of a particular personality type. This point will be discussed later in this section.

Hypothesis 5. Individuals with high n Ach are more likely to be successful in their entrepreneurial endeavors than individuals with low n Ach.

The hypothesized relationship between n Ach and entrepreneurial success is premised on the assumption that an individual who is performing an occupational role which is congruent with his psychological needs is more likely to be successful than an individual whose psychological needs do not fit or are not satisfied by the requirements of the role he is playing. Specifically, the n Ach theory states that high n Ach, i.e., the psychological drive to excel, not for reward or prestige, but for the satis-

fraction of having done a job well, is congruent with the role demands of successful entrepreneurship. These role demands refer particularly to risk-taking, innovation, planning, knowledge of results, individual responsibility and related behavior. Achievement-oriented individuals are more likely than individuals with low n Ach to bring to their work such qualities as activism, hardwork, independence, concern with excellence. Thus, entrepreneurs who have high n Ach are more likely to be successful than those with low n Ach since the former are more likely than the latter to exhibit the type of behavior necessary for carrying out the role requirements of entrepreneurship.

Analysis of the data presented in Table 7 below shows

Table 7. Level of n Ach and outside-the-estate business involvement

n Achievement	Outside-the-Estate-Business		Total
	At least one	None	
High	8	6	14
Low	9	4	13
Total	17	10	27

$$\chi^2 = 0.4223 \quad p \geq .50$$

$$df = 1$$

$$\text{Corrected } \chi^2 = 0.0630 \quad p \geq .80$$

that no statistically significant relationship obtained between level of n Ach and entrepreneurial success, as measured by the presence or absence of other business.

interests, e.g., manufacturing or sales firms, real estate, etc., outside the industrial estate. Although the chi squares obtained were too small to suggest any pattern of relationship between the two variables under consideration, it is interesting to note that the trend of the relationship seems similar to the one observed in Table 6. Thus, nine of the 13 entrepreneurs with low n Ach are successful, compared to only eight of the 14 entrepreneurs with high n Ach. Putting it another way, there are slightly more successful entrepreneurs among the low n Ach group than are found in the high n Ach group. The need for caution in interpreting the data cannot be over-emphasized. The available data do not warrant more than speculations about the implications of the finding obtained. A possible explanation of the finding relates to the implicit assumption of n Ach theory that achievement-oriented behavior is a generally socially desirable behavior and is therefore positively sanctioned. This assumption may not be tenable in a largely familistic, passive, otherworldly-oriented society like India where an achievement-oriented person exhibiting behavioral characteristics, such as independence, activism, concern and demand for excellence from himself and from others, is likely to be out of place in that society, and probably even seen as disruptive of the social order. Such an individual may probably receive more negative than positive sanctions for his achievement-

related activities. An illustrative example may be given to dramatize this point. The entrepreneur, for instance, who ranked highest in n Ach among all the entrepreneurs studied, may be considered the least successful one in the group since he was the only entrepreneur who was reduced to being a paid manager of the factory he originally established as a partnership. He lost his factory after a long history of conflict with several successions of partners. It might well be that his high n Ach was dysfunctional to an effective cooperation with partners who were necessary for carrying out his entrepreneurial activities. Other data obtained, indeed, suggest that entrepreneurial success is a function of cooperative efforts and resources rather than of independent entrepreneurial activities of individuals driven by the psychological need to achieve. This point will be discussed later in this section.

Hypothesis 4. Entrepreneurial role performance is a function of the structure of the business, specifically of the type of ownership of the enterprise.

From the hypothesized relationship between entrepreneurial behavioral characteristics (which are referred to herein as entrepreneurial performance) and the type of ownership of the firm, it is predicted that proprietors and managing partners are more likely than managers of family-owned businesses to exhibit entrepreneurial

behavioral characteristics of risk-taking, novel or energetic instrumental activity, and individual responsibility. In other words, it is predicted that proprietors and managing partners would show a higher degree of entrepreneurial performance than entrepreneurs in family-owned firms.

The data presented in Table 8 below suggest that

Table 8. Type of ownership of factory and entrepreneurial performance

Type of Ownership	Entrepreneurial Performance		Total
	High	Low	
Proprietorship & Partnership	10	2	12
Family Business	7	8	15
Total	17	10	27

$$X^2 = 3.8435 \quad p \leq .05 \quad df = 1$$

$$\text{Corrected } X^2 = 2.4319 \quad p \leq .10$$

entrepreneurial performance may be a situational response to the demands of the entrepreneurial role, rather than a pattern of behavioral response propelled by a high n Ach. While the relationship obtained does not reach statistical significance, perhaps because of the small size of the sample, the data do suggest that entrepreneurial performance is a function of the type of ownership of the business firm. The entrepreneurs in the proprietorships and partnerships are found to be more likely to exhibit the type of behavior that are usually associated with entrepreneurial role per-

formance, particularly risk-taking, novel or energetic instrumental activity, and responsibility, than the entrepreneurs managing family-owned business firms. The extended family system seems to exert a conservative influence on the entrepreneurial activities of respondents in the latter type of business ownership. This is specially true when the entrepreneur is not the oldest member of the extended family but has been assigned to the position of manager largely to take care of the day-to-day routine of the factory. At least nine of the managers of family-owned enterprises generally had to defer to the wishes of the father who might be too old to take charge of the daily management of the factory but retains the decisive voice in the policy making in the factory, and/or an older brother who has similarly delegated management of the factory to the younger brother but retains the larger part of the responsibility in decision making. A not infrequent complaint among these entrepreneurs is that the father or older brother "hampers (their) plans for expansion." A few of them had expressed the hope that they would have their own factories so that they might "be able to run a one-man show."

The managing partners, to a much lesser extent, similarly encounter obstacles and resistances to their entrepreneurial activities from their partners. It may

be noted that the common cause of the break-up of partnerships entered into by some of the entrepreneurs earlier in their manufacturing careers, was breach of faith and conflict with the financial partners. Except for the employed manager of the corporation subsidiary (whose conflicts with his partners earlier led to the loss of his factory), however, the managing partners seem closer to the proprietors in their relative freedom to run their factories as they see fit.

The proprietors usually had to perform both the technical and administrative roles in their factories. And since they are usually their own financiers, they have much more freedom of action to experiment with ideas. On the other hand, resources at their disposal are usually much more limited than those available to the managers of family-owned enterprises or the partnerships. Thus, the very structure of the enterprise both facilitates and demands that the proprietors exhibit a higher degree of entrepreneurial behavior than either the managers of family-owned enterprises or the partnerships. The proprietors were, indeed, found to be likely to take greater risks, to engage in novel or energetic instrumental activity, and to take the sole responsibility, both technically and administratively, in the management of their factories than the managers of the family-owned

firms. An illustrative example is a proprietor who experimented in manufacturing in his home various products - soap, ink, hair oil - while working as a government clerk. He resigned from his government job when he was able to accumulate enough savings from his salary (over a period of 10 years) and profits from his home-produced products, to establish a small factory. At the time of the study, he was manufacturing various office supplies, e.g., rulers, small pencil sharpeners, desk bells.

Hypothesis 6. Entrepreneurial success is a function of the type of ownership of the business.

The finding that proprietors and managing partners exhibited more entrepreneurial behavior than those in family-owned businesses would probably lead one to predict that the proprietors and the managing partners would be more successful than the managers of family-owned enterprises. But, as was noted earlier, entrepreneurs of the non-family firms, particularly the proprietors, have much less resources, financial, technical and manpower, at their disposal. They have, therefore, to exert much more effort, to show greater ingenuity and imagination to accomplish the same or similar production goal (as the managers of family-owned businesses may have), or even just to maintain themselves in business. To the extent that the proprietors are able to maintain themselves in their entrepreneurial roles despite their limited resources, they may be con-

sidered successful. Compared, however, with the managers of family-owned enterprises according to a measurable criterion of entrepreneurial success, i.e., presence of other business interests in addition to the estate factory, the proprietors and managing partners were found to be less successful than the managers of family businesses. As shown in Table 9 below, the entrepreneurs managing family-owned

Table 9. Type of ownership of business and outside-the-estate business involvements of the entrepreneurs

Type of Ownership	Outside-the-Estate Business		Total
	At least one	None	
Proprietorship & Partnership	4	8	12
Family Business	13	2	15
Total	17	10	27

$$\chi^2 = 8.1317 \quad p \geq .01 \quad df = 1$$

$$\text{Corrected } \chi^2 = 6.0055 \quad p \geq .01$$

firms are significantly more likely to have other business involvements, e.g., one or more factories, sales shops, real estate development, etc., than those entrepreneurs in proprietorships or partnerships. As mentioned in Chapter II, these business interests outside the industrial estate may represent the entrepreneurs' outlets for expansion since the industrial estate sets upper limits on the capitalization of the factories within its boundary. Since the entrepreneurs receive a certain amount of tech-

nical, financial, and other assistance from the government which they are likely to have difficulty of getting if they leave the estate, it is more profitable for them to invest their profits in another factory in another location, or invest in other lines of business, such as real estate development, rather than leave the industrial estate in order to expand their present factories. Alternatively, some of the estate factories serve as outlets for the expansion of factories established before the estate was opened in 1957. It appears that entrepreneurs with more than one factory freely use the profits from one factory to help maintain another factory which is not yet well established. A few of the estate factories, for example, would have folded up were it not for the subsidy received from the profits of other business firms outside the estate. The availability not only of financial assistance but also of managerial and technical know-how in the family-owned businesses greatly facilitates expansion in the form of setting up other industrial firms. The family firms usually have family members ready to take over management of a newly set up business or an old family firm. A classic example is that of a former civil servant who was asked by the extended family to resign from his 30-year government career to take over the management of a family firm since it was expanding so rapidly. The original manager was busy attending to other business interests of

the family and in overseeing the establishment of a new industrial firm (to be managed by still another brother). In a few cases where the manager of the family business had to leave town or go abroad for managerial and technical training and observation, or to arrange business deals for the company, a younger brother or son is ready to take over the management of the factory temporarily.

The proprietors, on the other hand usually had to perform production, personnel and administrative, sales, functions in the factory. And since almost all of them came from non-entrepreneurial backgrounds, the proprietors usually had had no training or experience in the required entrepreneurial skills. Limited financial resources, moreover, usually inhibit the proprietors' plans for expansion. An illustrative example is a former landlord who went into manufacturing with no training in either management or production. After a few years, he even managed to build machines for the factory's use by copying imported models. He, however, could not carry through plans for improving his machines and expanding his operations because of inadequate financial resources.

Summary of Findings with Respect to Entrepreneurial Performance and Success

The hypothesized relationships between achievement and entrepreneurial performance are not supported by the data obtained in this study. Analysis of the data show no

statistically significant relationship between n Ach and evidences of entrepreneurial behavior, particularly risk-taking, novel or energetic instrumental activity, and individual responsibility, exhibited by the entrepreneurs in the process of maintaining themselves in their entrepreneurial roles. Similarly, the study found no relationship between n Ach and entrepreneurial success.

On the other hand, the data obtained lend some support to the alternative hypotheses suggested by this paper. Statistical analysis of the data suggests that entrepreneurial behavior is a situational response, specifically, that entrepreneurial behavior is a function of the type of ownership of the business. Thus, proprietors and managing partners are more likely to exhibit the type of behavioral characteristics necessary in the efficient performance of the entrepreneurial role than managers of family-owned firms. The latter are generally inhibited in their entrepreneurial activities by the conservatism of the extended family. The data further suggest that entrepreneurial success is more a function of the type of ownership of the enterprise rather than of n Ach. Specifically, entrepreneurs managing family-owned firms are found to be more likely to be successful, i.e., to have at least one other business interest, such as another factory, sales shops, real estate development, etc.,

in addition to the estate factory. The extended family system provides not only financial but also technical and managerial resources which greatly facilitate expansion of the family business.

CHAPTER IV
SUMMARY AND CONCLUSIONS

Review of the Study

This thesis is concerned with the socio-psychological aspects of entrepreneurship among a group of small-scale Indian manufacturers. Its main objective is to compare the efficiency of two approaches to the study of Indian entrepreneurship, namely, that of viewing Indian entrepreneurship as a function of n Ach and that of treating entrepreneurship as an extended family phenomenon. Entrepreneurial role assumption and entrepreneurial role performance and success are studied in terms of both n Ach and type of ownership of the enterprise, in so far as the latter indicates the involvement of the extended family in the business firm. Specifically, several indices of entrepreneurial role assumption, i.e., (1) the first occupation of the entrepreneur, (2) the role he played in setting up the factory, that is, whether as Initiator or Non-Initiator, and (3) the age of entry into manufacturing, were examined against both level of n Ach and type of ownership of the factory. Similarly, n Ach and type of ownership of the factory were related to the following indices of entrepreneurial performance and success: (1) evidences of entrepreneurial behavior, particularly risk-taking, energetic or novel instrumental activity, and individual responsibility (scored on a 5-point scale), and (2) entrepreneurial

success as measured by the presence of other business interests in addition to the estate factory.

The respondents were 27 small-scale manufacturers in an industrial estate in North India. Fifteen of the 27 entrepreneurs were managing family-owned factories; eight were sole proprietors, and four were in partnerships and corporation subsidiaries. Seventeen of the 27 entrepreneurs were sole or main initiators in the establishment of their factories; the rest of the entrepreneurs either took over management of the factory when it was more or less well established or were set up in business through the initiative and efforts of another person. The entrepreneurs came from varied occupational backgrounds (first occupation), e.g., the professions, technical job, government civil service, landlording, politics, trading, and manufacturing. The latter two are classified as business and the rest as non-business occupations. Twelve of the entrepreneurs came from non-business backgrounds, while 15 had had trading and manufacturing as their first occupations. The entrepreneurs studied are a fairly highly educated group - 19 of the 27 had been to college; the least educated entrepreneur had had at least nine years of school. The entrepreneurs were heterogenous in terms of age - they range in age from 24 to 62 years; the median and mean ages are 40.0 and 42.6 years, respectively.

To measure n Ach, two projective techniques were used:

the Thematic Apperception Test (TAT) and a sentence completion test of achievement motivation. Since the TAT results were unsatisfactory because of the meagre responses of the entrepreneurs to the pictures, only the sentence completion test results were used to measure n Ach. The sentence completion test consisted of 12 incomplete sentences which the entrepreneurs were asked to complete with the first word or words that came to their minds. Responses to the test were scored on a 5-point scale, according to well-defined categories of achievement motivation. Evidences of entrepreneurial behavior, particularly risk-taking, novel or energetic instrumental activity, and individual responsibility, were obtained from the occupational histories of the entrepreneurs and were each scored on a 5-point scale. The three scale scores were combined to give a single entrepreneurial performance score to each entrepreneur.

Biographical and socio-economic data were obtained from the administrative officer of the industrial estate, from the file of a previous socio-economic survey conducted in the estate by the University of Delhi Department of Sociology, under the sponsorship of the UNESCO Research Centre, and from extended interviews with the entrepreneurs.

The 27 entrepreneurs were dichotomized on each of the several variables studied. The variables were level of n Ach, role in establishing the factory, i.e., into

Initiators and Non-Initiators; occupational background, i.e., business and non-business, and level of entrepreneurial performance and success. The median was taken to divide the entrepreneurs into two groups when the variables used were scorable, such as n Ach and entrepreneurial performance.

The Yates' corrected chi-square test was used to analyze the data statistically, since the sample was small, expected cell frequencies in several cases were less than 5.

Summary of Findings

Level of n Ach was consistently found to be unrelated to either entrepreneurial role assumption or entrepreneurial role performance and success. The hypothesis formulated to test the role of n Ach in predisposing small-scale manufacturers to seek entrepreneurial roles were not supported by the data obtained. The particular dependent variables examined to test this hypothesis were the entrepreneur's first occupation, and the role he played in establishing the factory. These variables were taken as indices of entrepreneurial role assumption, and were used to test two predictions based on the hypothesized relationship between n Ach and entrepreneurial role assumption. The predicted relationship between first occupation and n Ach is based on the assumption that the first occupation is the line of work which the entrepreneur finds most attractive or which he perceives to be the one most suitable for him. The data

do not support the first prediction. Level of n Ach does not discriminate between entrepreneurs with business and those with non-business backgrounds. The second prediction is that Initiators are more likely to have high n Ach than Non-Initiators. The predicted relationship between n Ach and entrepreneurial role initiation is based on the proposition that high n Ach predisposes an individual to seek the challenge of entrepreneurship. Again, the data obtained do not support the second prediction. Level of n Ach does not differentiate the Initiators from the Non-Initiators.

The hypotheses formulated to test the role of n Ach in entrepreneurial role performance were similarly not supported by the data. Two aspects of entrepreneurial role performance were examined: (1) entrepreneurial behavioral characteristics, particularly risk-taking, novel or energetic instrumental activity, and individual responsibility, and (2) entrepreneurial success as measured by the presence of other business involvements in addition to the factory in the industrial estate. Two hypotheses were tested to examine the relationship between n Ach and entrepreneurial role performance. The first hypothesis states that individuals with high n Ach are more likely to exhibit entrepreneurial behavioral characteristics, particularly risk-taking, novel or energetic instrumental activity, and individual responsibility, in maintaining themselves in their entrepreneurial roles than entrepreneurs with low

n Ach. The hypothesized relationship between n Ach and entrepreneurial behavior is based on the assumption of n Ach theory that the behavioral correlates of the psychological need to excel, to do well, would be congruent with the role demands of entrepreneurship. The data obtained do not support the hypothesis. Level of n Ach does not discriminate between individuals who had exhibited a high degree of the entrepreneurial behavioral characteristics measured and those who did not. The second hypothesis states that individuals with high n Ach are more likely to be successful in their entrepreneurial endeavors than individuals with low n Ach. The hypothesized relationship between n Ach and entrepreneurial success is based on the assumption that an individual who is performing an occupational role which is congruent with his psychological needs is more likely to be successful than an individual whose psychological needs do not fit or are not satisfied by the requirements of the role he is playing. The data obtained do not support the hypothesis.

Alternative hypotheses were formulated to examine entrepreneurial role assumption and entrepreneurial performance as a sociological rather than as a psychological phenomenon. One hypothesis was suggested and examined to explain the same dependent variables used in studying the relationship between entrepreneurial role assumption and n Ach. These are: the first occupation of the entrepreneur

and the role he played in establishing the factory, i.e., as Initiator or Non-Initiator. This hypothesis states that entrepreneurial role assumption is a function of the extended family system. Two predictions were made from the above hypothesis. The first prediction is that entrepreneurs of family-owned businesses are more likely to have come from entrepreneurial backgrounds than proprietors and managing partners. The data obtained lend some support to the prediction although the predicted relationship did not reach statistical significance ($p = .10$) perhaps because of the small size of the sample. The additional finding that managers of family-owned businesses assumed their entrepreneurial roles at a younger age than those in either the proprietorships or partnerships further support the hypothesized relationship between type of ownership of business and entrepreneurial role assumption. The second prediction is that proprietors and managing partners are more likely than managers of family-owned firms to be Initiators. The data obtained strongly support the prediction ($p = .001$). Thus, all the proprietors and managing partners were found to have taken the main initiative and responsibility in setting up their factories compared to only five of the 15 managers of family firms.

Two hypotheses were suggested and examined to explain entrepreneurial role performance, using the same dependent

variables used in studying the role of n Ach in entrepreneurial performance. These dependent variables are (1) entrepreneurial behavioral characteristics, particularly risk-taking, novel or energetic instrumental activity, and individual responsibility, exhibited by the entrepreneurs in the process of maintaining themselves in their entrepreneurial roles, and (2) entrepreneurial success as measured by the entrepreneurs' involvements in other business interests in addition to the estate factory. The first hypothesis states that entrepreneurial role performance is a function of the type of ownership of the factory, i.e., that proprietors and managing partners are more likely to exhibit entrepreneurial behavioral characteristics than managers of family enterprises. The data obtained lend some support to the hypothesis, although the hypothesized relationship did not reach statistical significance ($p > .10$) probably because of the small size of the sample. The second hypothesis states that entrepreneurial success is a function of the type of ownership of the enterprise. The data obtained strong support the hypothesis ($p > .01$). The managers of family-owned factories were found to be significantly more likely to have additional business involvements, e.g., another factory, real estate development, etc., than the proprietors or managing partners.

Conclusions and Suggestions for Further Research

The findings of this study have limited generalizability for the following reasons: In the first place, the sample studied is too small to warrant generalizations of the findings to other groups of Indian entrepreneurs. Moreover, the entrepreneurs studied may not be a representative sample of small-scale Indian manufacturers. These entrepreneurs, indeed, seem atypical of Indian small entrepreneurs in several ways. They are an elite group of highly educated individuals who are exposed to Western methods of production and management. A majority of them had been to college; several had had training and/or experience in engineering and business management prior to going into manufacturing; several had been well-established in highly prestigious occupations, e.g., the government civil service, landlording and technical jobs, prior to assuming their entrepreneurial roles. Most of them are from the middle and upper middle classes. The group of entrepreneurs studied would probably constitute an elite group of small manufacturers even in Western industrialized countries and much more so in India where the great majority of the people are semi-skilled and unskilled workers and subsistence farmers¹ and where the (1964) literacy rate is 24 per cent.² Another reason the group studied is not representative of Indian small entrepreneurs is the fact that their factories are located in an

industrial estate, one of four in the whole of India, where they are given preferential technical, financial, and other assistance which is largely outside the reach of the great majority of Indian small manufacturers. Still another reason for confining conclusions of this study to the group used relates to the question of the pervasiveness of the extended family system in India. There are some indications that the closely knit extended family system is more pervasive among the middle and upper classes than among the lower classes.³ Since most of the small-scale entrepreneurs are lower-class persons operating businesses with a net worth of less than 200 rupees,⁴ the findings regarding the role of the extended family system in small-scale manufacturing may not apply to all cases of Indian entrepreneurship.⁵

There are other reasons that limit the generalizability of the findings. One reason relates to the difficulty of measuring entrepreneurial performance and success. There may be more efficient methods of measuring these dependent variables than were used in this study. More precise measures of entrepreneurial success, e.g., firm growth over a period of time, than that used might have given more conclusive findings on the relationship of this dependent variable to the independent variables in Ach and type of ownership of business. With the above

limitations in mind, conclusions from the data obtained are given below.

The data suggest that entrepreneurship among the group of Indian small-scale manufacturers studied may be more meaningfully viewed as a situational phenomenon tied to the type of ownership of the business enterprise than as an individual phenomenon, i.e., as being related to an individual's need for achievement. Family ownership and involvement in manufacturing has greatly facilitated and, in several cases, necessitated, the entrepreneur's entry into his occupational role, for several reasons. The extended family, in the first place, provides the financial resources necessary in establishing a factory. This role of the extended family has been recognized by Hoselitz⁶ who sees the extended family as the main agent which helps launch an artisan into an entrepreneurial career by providing him the loan to start his own shop. The rise of economic power of certain social groups in India, such as the Marwaris, has been attributed in part to family solidarity which facilitates entry into entrepreneurial occupations by its ability to mobilize capital.⁷ Another reason why the extended family's involvement in business facilitates an individual's entry into an entrepreneurial role is the observation that the family serves as a training ground for the acquisition of skills necessary for

running a factory. Moreover, there are indications from the study that the extended family, by its recognition of the need to have better trained men to run the business and its ability to send the family's young members for technical training, may help produce a relatively high quality of entrepreneurship in India within a short period of time. Another way by which the extended family facilitates an individual's entry into an entrepreneurial role is through the widely observed practice of occupational inheritance among the entrepreneurs studied. This last point was a main argument of this paper in suggesting that individual psychological motives such as n Ach may not be as important for role assumption among the group studied. The practice of occupational inheritance precludes freedom of occupational choice for the individual. For several of the entrepreneurs in family firms, occupational options to entrepreneurship were not allowed by the extended family; for most of the proprietors, occupational options to their fathers' white-collar occupations came late in their occupational careers - when they were well established in their inherited occupational role and financially independent from the extended family and could afford to deviate from the family occupation. More research on the influence of the extended family on occupational role assumption for different family members - eldest and younger sons,

particularly - is necessary for a more meaningful interpretation of the findings of this study. Another important research problem relates to the process by which an individual proprietor enters an occupational role - the resources at his disposal, and the main sources of assistance. In the family business, research on the process of decision making and assignment of roles may add to the understanding of Indian entrepreneurship.

The extended family's superior resources - financial, technical, and managerial - brought to use in small-scale entrepreneurship have helped greatly in entrepreneurial success for most of the family-owned businesses.

Several interesting areas of research seem to be suggested by the findings of this study. One area is concerned with the behavioral manifestations of n Ach among non-Western people. The behavioral correlates of n Ach among the Indian entrepreneurs studied, for example, may not be the same as those commonly observed among Western entrepreneurs (e.g., risk-taking, individual responsibility, etc.), as suggested by a few striking (and unanticipated) observations in this study. Several of the entrepreneurs scoring high on the n Ach test, for instance, seemed to be influenced more by relatively non-secular guides in their business behavior than knowledge of modern business techniques. Two classic examples may be

cited to illustrate the above point. The entrepreneur who scored highest on the n Ach test reported that he regularly consulted a palmist-astrologer prior to making any business decision, and apparently was more influenced in his decisions by the astrologer's predictions than by his knowledge and appraisal of market conditions. Another respondent possessing a high n Ach score was convinced that the best way he could become a good entrepreneur was by undergoing a 5-year religious training although he had taken a 2-year post-collegiate course in Business Administration. These observations seem to suggest some reluctance on the part of these achievement-oriented individuals to assume personal responsibility for their behavior, thus their dependence on something supernatural as guides to their behavior.

Another possible problem, closely related to the above, is the extent to which Indians in particular, and non-Western people in general, conceive of achievement (or failure) in individualistic terms. There are some indications, both from projective materials and interview data, that the Indian entrepreneurs studied seem to have strong identification with the family. A large proportion of their responses to the Thematic Apperception Test, for example, contained references to the family.

Another interesting research possibility suggested

by this study relates to possible changes in the prestige structure of occupations in India. Since business occupations have been traditionally of low status in India, the shift to business from highly prestigious occupations, particularly the government civil service and landlording, of some of the respondents studied may indicate some changes in the prestige ranking of occupations. These changes may have implications for changes in the quality of entrepreneurship in India, i.e., as more of the better educated and technically trained young Indians join the emerging entrepreneurial class, the artisan-type of production presently prevailing among Indian small-scale entrepreneurs may be increasingly replaced by modern, Western-type methods of production.

Footnotes to Chapter IV

1. It may be noted here that the Indian (1963) per capita gross domestic product was \$82 compared to \$724 for the rest of the world as a whole and \$103 for the remainder of East and South Asia with the exception of Japan. United Nations, Department of Economics and Social Affairs. Yearbook of National Accounts Statistics, 1965. New York, 1966. pp. 492-497. Computed by Wayne Nafziger, "Indian Entrepreneurship: A Survey." First draft, Aug. 20, 1968.
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3. Verbal communication from Dr. Paul Hiebert, Professor of Anthropology, Kansas State University, who has done extensive studies on Indian family system.
4. Pritam Singh, "Essays concerning Some Types of Entrepreneurship in India." Unpublished Ph. D. Dissertation, University of Michigan, 1963. Rs. 200 is equivalent to about \$42 by 1963 rate of exchange.
5. B. F. Hoselitz, "Tradition and Economic Growth," in R. Braibanti and J. J. Spengler (eds.), Tradition, Values and Socio-economic Development. Duke University Press, 1961, pp. 81-113. Hoselitz calls attention to the usefulness of the extended family as a source of capital for entrepreneurs.
6. Hoselitz, Ibid.
7. Helen B. Lamb, "The Rise of Indian Business Communities." Pacific Affairs, XXIII, No. 2 (June 1955), pp. 98-126.

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SOCIAL PSYCHOLOGICAL AND SOCIOLOGICAL ASPECTS
OF INDIAN ENTREPRENEURSHIP

by

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OF INDIAN ENTREPRENEURSHIP

Abstract

In this thesis the relative efficiency of two approaches to understanding Indian entrepreneurship were tested, namely, whether Indian entrepreneurship may be more effectively treated as a function of n Ach (need for Achievement) or as an extended family phenomenon. Three hypotheses on the relationships between n Ach and entrepreneurial role assumption and entrepreneurial performance were examined. It was predicted that the higher the n Ach:

1. the greater the predisposition of an individual to seek an entrepreneurial role;
2. the higher the manifesting of entrepreneurial performance, and
3. the higher the level of entrepreneurial success.

Three alternative hypotheses relating entrepreneurial role assumption and entrepreneurial performance to the Indian extended family system were tested.

1. Entrepreneurial role assumption is a function of the extended family system.
2. Entrepreneurial role performance is a function of the structure of the business, specifically of the type of ownership of the firm.
3. Entrepreneurial success is a function of the type of ownership of business.

Several indices of entrepreneurial role assumption (the first occupation of the entrepreneur, the role he played in setting up the factory, and the age of entry into manufacturing) were examined against level of n Ach and type of ownership of the factory. The indices of entrepreneurial role performance were evidences of entrepreneurial behavior, such as risk-taking, energetic or novel instrumental activity, and individual responsibility. Entrepreneurial success was measured by the presence of other business interests in addition to the estate factory. Evidences of entrepreneurial performance and success were examined against both level of n Ach and type of ownership of factory.

To measure n Ach, a sentence completion test was used. Data on entrepreneurial behavior were obtained from the occupational histories of the entrepreneurs. Biographical and socio-economic data were obtained by means of interview, from verbal information from responsible sources, and from the file of a previous socio-economic survey conducted in the estate by an independent agency.

Level of n Ach was consistently found to be unrelated to either entrepreneurial role assumption or entrepreneurial performance. The hypothesis positing a possible relationship between high n Ach and predisposition to seek entrepreneurial roles was not supported by the data. The two hypotheses

formulated to test the relationship between level of n Ach and entrepreneurial performance and entrepreneurial success were similarly not supported by the data. Level of n Ach failed to discriminate between individuals who exhibited high degrees of the entrepreneurial characteristics measured and those who did not. Neither did n Ach discriminate among successful and unsuccessful entrepreneurs. However, the data tended to support the hypotheses on the relationships between the extended family system and entrepreneurial role assumption, entrepreneurial role performance, and entrepreneurial success. Managers of family-owned enterprises were more likely to have come from entrepreneurial backgrounds, and to have assumed their entrepreneurial roles at a younger age than proprietors and managing partners. Proprietors and managing partners were found to be much more likely to be Initiators than were entrepreneurs managing family-owned enterprises. The data also tended to support the hypothesized relationship between entrepreneurial performance and type of ownership. Thus, proprietors and managing partners were more likely to exhibit the entrepreneurial behavioral characteristics of risk-taking, novel or energetic instrumental activity, and individual responsibility than managers of family-owned enterprises. The prediction that entrepreneurial success is a function of the type of ownership of the business was strongly supported by

the data. The managers of family-owned businesses were found to be significantly more likely to be successful in their entrepreneurial endeavors than the proprietors and the managing partners.

