

# Relevance of Maslow's Hierarchy of Needs to Entrepreneurs

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## **Abstract:**

*Abraham Maslow proposed a theory on motivation in the research paper, "A Theory of Human Motivation" in 1943 which is till date popularly propagated as "Maslow's Hierarchy of Needs". He proposed a five stage model that has physiological needs at its bottom and need for self-actualization at the top. He was of the opinion that unless the lower level deficit needs are satisfied, an individual can't progress to meet higher level needs. However, if this holds true and valid for all individuals, then the question arises: does this pyramid of needs apply even in case of an entrepreneur? Stories and biographies of many successful entrepreneurs reveal that the Maslow's Need Hierarchy does not hold valid and especially in the same order, for many of them. This research paper attempts to study the relevance of Maslow's need hierarchy to the entrepreneurs whose one of the primary characteristics is risk preferences.*

**Key words: Maslow's Hierarchy of Need, Motivation, Entrepreneur**

## **Introduction:**

One of the simplest and quite widely accepted theories of motivation was proposed by Abraham Maslow 1943 in a paper named "A Theory of Human Motivation" in Psychological Review. Known as "Maslow's Hierarchy of Needs", the theory was covered completely by Maslow in his book "Motivation and Personality" in 1954. The theory is based on the following premises:

1. The needs of a human being influence his/her behaviour. As an individual has many needs, they are arranged in a hierarchy based on their level of importance to a person at any given time.

2. Once the need is satisfied, it stops to act as a motivator and then a higher level need replaces it as a motivator.

Maslow categorized human needs in 5 distinct levels: i) Physiological Needs, ii) Safety Needs, iii) Love/Belongingness Needs, iv) Esteem Needs and v) Self-actualization Needs.



Though this theory is still popular and relevant to most of us in our day-to-day life, its relevance to the entrepreneurs needs to be discussed and explored.

In order to understand the relevance of Maslow's Hierarchy of Needs for entrepreneurs, we shall first discuss the traits/characteristics of an entrepreneur and the motivators that drive him/her to pursue and convert the business idea into a business venture.

### **Personality Traits of an Entrepreneur:**

An extensive research is already carried out by many researchers regarding the personality traits of an entrepreneur.

Sari Pekkala Kerr (2017) considers the Big-5 model, self-efficacy and innovativeness, locus of control, the need for achievement as well as risk preferences and goals and aspirations to be important while discussing the personality traits of an entrepreneur.

**The Big-5 Model** covers the following characteristics, as described in Shrestha (2017):

- **Openness to experience:** includes being interested in diverse areas and ready to explore even a quite unusual idea. The people who are open to experience are typically intellectually curious, sensitive and are unconventional in their thought process.

- **Conscientiousness:** individuals with high conscientiousness are generally self-disciplined, organized, responsible and are known to behave in a thoughtful, planned manner rather than a spontaneous way.
- **Extraversion:** People who are high on extroversion gain their energy from external world. They are open to new relations, are enthusiastic, sociable, and assertive.
- **Agreeableness:** those who are high on this trait, get along well with others. They can be trusted and are helpful, kind, considerate, generous. They are willing to compromise their interests for others.
- **Neuroticism:** those high on neuroticism are prone to anger, depression, insecurity, anxiety and various negative emotions. They lack the ability to cope with stress.

According to Zhao and Seibert (2006), entrepreneurs are quite open to experience, score high on conscientious as well as extraversion, and are found to be low on agreeableness, as well as neuroticism.

**Self-efficacy** is described as an individual's belief about his/her ability to perform given task successfully and give justice to the role played. It has direct relation with expectations, goals and motivation (Cassar and Friedman, 2009).

In today's VUCA world, many researchers feel that entrepreneurs possess a strong sense of self-efficacy which is essential to turn their vision into reality and also to have faith in their innovations to identify emerging/new markets and products. They strongly believe that high self-efficacy is directly related to innovativeness.

The concept of **Locus of Control** was introduced by Rotter in 1954 as a part of theory of social learning. Individuals with internal Locus of Control believe that they have the ability to influence outcomes in a desirable manner with focussed effort, and skills, whereas people with external Locus of Control feel that external forces control the events and outcomes in their lives. Research shows significant linkage between the internal locus of control and likelihood of engaging in entrepreneurial activity.

**Need for Achievement** refers to an individual's desire for significant accomplishment, mastering of skills, and attaining challenging goals. Researchers are of the opinion that entrepreneurs have a high need for achievement, as converting an idea into business shows one's abilities in ways that can't be matched when working within a system in which responsibilities are shared and diluted. (Kerr 2017)

**Risk preferences** are defined by the utility function over wealth in the standard expected utility framework. Most people have utility functions that imply risk aversion, and such people are more willing to take work with regular and less-variable pay. However, a smaller proportion of people—who exhibit less curvature in their utility functions over wealth, and thus less risk aversion—are more likely to be attracted to the possibility of large gains from highly risky ventures such as entrepreneurial activity. (Astebro, 2014) Khilstrom and Laffont (1979)

developed a model that predicts how most risk-averse people tend to be employees while people who are less averse to risk tend to become entrepreneurs.

Though there is very little literature available on “**Goals and Aspirations**” of entrepreneurs, they are thought to be significantly different than the individuals who prefer working for others. One of the goals and aspirations that was found typical to an entrepreneur was the “desire to be your own boss”.

### **Relevance of Maslow’s Hierarchy of Needs to Entrepreneurs**

After discussing the personality traits of an entrepreneur, a question arises: Is Maslow’s Hierarchy of Needs really relevant to the motivation of entrepreneurs, and if yes, is it relevant in the same order.

As propounded by Abraham Maslow in 1943, **Physiological needs** that include food, water, shelter, etc. are at the bottom of the pyramid and are the most basic needs that are required to be satisfied, before an individual can think about higher level needs. In case of most entrepreneurs, we observe that they sacrifice this basic need to follow their passion of turning an idea into business venture.

**Safety needs** become prominent, once physiological needs are met. They include reasonable amount of predictability, continuity, order and structure in one’s life. An entrepreneur can never be an entrepreneur, if he bothers much about such safety and security needs. In fact, one of the important personality traits of an entrepreneur, is the risk preference. A risk is an inevitable part of the life of an entrepreneur. Openness to experience as explained in the Big 5 model of personality is very relevant to an entrepreneur and this factor itself is contradictory to the safety needs explained by Maslow. Also one of the personality traits of an entrepreneur as described by Sari Pekkala Kerr (2017), is low level of neuroticism, which itself means that entrepreneurs are not afraid of insecurities.

According to Maslow, human being is a social animal for whom **love and belongingness needs** become motivator, once the physiological and safety needs are satisfied. As mentioned by Sari Pekkala Kerr (2017), entrepreneurs are extrovert and score well on agreeableness with reference to Big 5 model of personality. An entrepreneur is motivated by the social needs, in terms of associating with different people for guidance, support and help to turn the idea into reality and also in terms of business networking. Quite often they gel well with others and are good team players. However, especially in the initial days of the business, entrepreneurs generally do not get time for intimate, social relations that are implied by Maslow.

**Esteem needs** explained by Maslow, include the self-esteem needs as well as recognition from others. Self-efficacy explained by Cassar and Friedman (2009), internal Locus of Control explained by Rotter in 1954, high conscientiousness as explained in the Big 5 model, show well how esteem needs are of high relevance to an entrepreneur. Wish to be one’s own master

is a dominant personality trait of an entrepreneur and to fulfil this wish demands high self-esteem and recognition from others.

**Self-actualization** which is the highest level need according to Maslow's Hierarchy of Needs, is the most predominant need for an entrepreneur. Self-actualization is to be completely a type of an individual, one desires to be and to reach one's highest potential. Entrepreneurial activities begin when an idea is born to an entrepreneur who then passionately uses his potential and capabilities to turn this idea into reality.

However, we can adopt a different way of looking at the relevance of Maslow's Hierarchy of Needs to the entrepreneurs and in that sense we may say that entrepreneurial activity looks to be apt to support an entrepreneur's progress through the Maslow's hierarchy of needs. Entrepreneurship serves as the financial means to satisfy basic needs. Though it is tough to justify security needs as mentioned in Maslow's Hierarchy of Needs with reference to entrepreneurs, we can safely say that these activities provide a mean to get social acceptance and self-esteem as entrepreneurs get recognition for their work and it further enhances their self-confidence to do better. Further, an entrepreneur can reach his or her success in the venture as the zenith of self-actualization.

### Conclusion:

The needs mentioned in the Maslow's Hierarchy of Needs, are relevant motivators even for entrepreneurs. However, the hierarchy mentioned by Maslow may not hold relevant in case of an entrepreneur. We may even safely say that if we go by the personality traits of an entrepreneur, then the hierarchy propounded by Maslow will go in the reverse order with self-actualization becoming the most important motivator and physiological needs becoming the least important motivator.

However, if we look at entrepreneurial activity as a business venture, then the hierarchy of need propounded by Maslow still holds relevant for entrepreneurs.

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