



Review

Rethinking the 'Necessity' in Necessity Entrepreneurship

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RETHINKING THE ‘NECESSITY’ IN NECESSITY ENTREPRENEURSHIP

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3 Original paper: John C. Dencker, Sophie Bacq, Marc Gruber, and Melvin Haas,
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5 Reconceptualizing necessity entrepreneurship: A contextualized framework of entrepreneurial
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7 processes under the condition of basic needs, <https://doi.org/10.5465/amr.2017.0471>
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17 Where secure livelihood options are scarce, self-employment might represent the only
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19 reasonable – that is to say, practicable, legal, and, to a greater or lesser degree, respectable –
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21 means by which people can make a living. Self-employment of this type is commonly referred
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23 to as “necessity entrepreneurship” (henceforth “NE”), although the term NE has historically
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25 owed its meaning more to its distinction from opportunity-led entrepreneurship than from its
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27 character as a standalone phenomenon, a distinction that has long been contested (Slade
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29 Schantz, Kistruck, & Zietsma, 2018; Welter, Baker, Audretsch, & Gartner, 2017). Concerns
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31 regarding the conceptual utility of the NE construct have been compounded by the
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33 “disparaging” (Welter, et al., 2017: 5) and “inferior” (Rosa Kodithuwakku, & Balunywa, 2008:
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35 2) overtones that have been said to stem from its “poor relation” (Imas Wilson, & Weston: 572)
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37 status vis-à-vis opportunity-led entrepreneurship.
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42 In view of these problems, Dencker, Bacq, Gruber, & Haas’s (in press) article entitled
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44 *Reconceptualizing necessity entrepreneurship: A contextualized framework of entrepreneurial*
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46 *processes under the condition of basic needs* represents a forward-step of some significance in
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48 theorizing NE. The article draws attention to important knowledge deficits concerning NE:
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50 largely absent from prior work has been any meaningful appreciation of the rich heterogeneity
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52 that can be observed within the conceptual category of “necessity entrepreneur”; any
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54 systematic insight into the actual *process* of NE; and any contextual framework to account for
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56 variation in the antecedents and practice of NE across countries at different levels of economic
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3 and institutional development. The main contributions of Dencker et al.'s article – a
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5 reconceptualization of NE grounded in Maslow's (1943, 1954) theory of motivation and a
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7 contextual framework for NE – aim to address these problems.
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11 However, for these contributions to serve as a springboard for meaningful theoretical
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13 advancement in the study of NE, we believe that further explanation is required. “At the core
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15 of [their] theorizing” (Dencker, et al., in press: 11) is an interpretation of Maslow's theory of
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17 motivation which would appear to map only vaguely onto what that theory actually says.
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19 Invoking Maslow's ideas in the manner that they do undermines many of the critical aspects
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21 of the conceptualization of NE that they go on to develop. Here, we will argue that the boundary
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23 conditions of their conceptualization are anything but “unambiguous” (pp. 9) and that their
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25 conceptualization of NE precludes the kind of contextual study that they aspire to promote. In
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27 making these points, we specify how we think these problems might be overcome, and how
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29 the ideas put forward in Dencker et al., and in future work on NE, might be enhanced.
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35 **A Maslovian Critique of Dencker et al.'s Re-conceptualization of NE**

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37 The essence of Dencker et al.'s reconceptualization of NE is that it is motivated by the desire
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39 to fulfil one's physiological or safety needs. Which of these needs will be the specific driving
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41 force will depend on the degree of needs deprivation, which they suggest can be reasonably
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43 proxied by specifying whether NE is being studied in a Developing World (in which case
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45 physiological needs are predominant) or Developed World (safety needs) context. The logic
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47 here is that higher level needs – such as the need for a sense of belonging, self-esteem, or self-
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49 actualisation – do not become salient, and therefore do not feature in an individual's decision
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51 schema, until prepotent, or lower-level, needs are satisfied. As described by Maslow (1943:
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53 374), “[f]or the man who is extremely and dangerously hungry, no other interests exist but
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55 food. He dreams food, he remembers food, he thinks about food, he emotes only about food,
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3 he perceives only food and he wants only food". In a state of near-death starvation, then, no
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5 needs are likely to be salient other than the need for food.
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8 What Dencker et al., and many others that have borrowed from Maslow's work (see
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10 Bridgman, Cummings, & Ballard, 2019), seem to overlook is that it is *only* under conditions of
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12 such extremity that a person's motivations will centre on one type of need (e.g., food or safety)
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14 at the expense of all others. This is a foundational premise not only of Maslow's theory, but of
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16 the broader discipline of humanistic psychology (Moss, 2014): if a person can be relatively
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18 assured of their short- to medium-term survival, their attentions will turn to higher level needs,
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20 such as the need for belonging, self-esteem, or self-actualisation. Dencker et al. allude to a
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22 related point in a footnote (pp. 10-11) but, overall, they remain steadfast in their assertion that,
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24 in contexts of extreme scarcity, the motivations underpinning necessity entrepreneurship are
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26 reducible to what they refer to as "basic needs"¹.
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30 Dencker et al.'s core argument – that the motivations of a necessity entrepreneur can
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32 be said to centre in a state of relative permanence on fulfilling her physiological and safety
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34 needs (i.e. staying alive) – begs the fundamental question: to whom are they referring when
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36 they use the term "necessity entrepreneur"? This uncertainty is not helped by their liberal use
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38 of life and death imagery to refer to necessity entrepreneurship in the Developing World.
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40 Exactly how immediate this threat to survival is ought to be pivotal in any Maslovian scheme
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42 of motivation, but it is never clarified here.
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50 ¹ As a point of fact, Maslow (1943, 1954) used the term "basic needs" to refer collectively to all of the five
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52 categories of needs that comprise his hierarchy, not to refer exclusively to physiological and safety needs. We
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54 acknowledge that later representations of Maslow's work have grouped the latter two categories together under
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56 the label of "basic needs", and therefore it is not without precedent that Dencker et al. do so too. However, it
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58 would be wrong to give the impression that only these needs are "basic". The need for belonging and love and
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60 the need to feel valued must also be treated as basic (as was Maslow's intent), whatever the context.

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3 A 'literal' interpretation of Maslow's theory of motivation – and this would seem to be
4 the only appropriate kind of interpretation – would infer that the necessity entrepreneurs to
5 whom Dencker et al. refer find themselves either in the advanced stages of starvation (i.e.
6 utterly deprived of their physiological needs, in the case of those operating in developing
7 countries) or facing imminent homelessness and destitution (i.e. utterly deprived of their safety
8 needs, in the case of those in developed countries). If their conceptualization is consistent with
9 the precepts of its underlying theory, then, Dencker et al.'s necessity entrepreneurs can be
10 studied only by peering into a whole new category of abyss: not depleted rural communities,
11 urban slums, nor decaying inner cities, but famine-stricken regions, conflict zones, and areas
12 in the midst of natural disaster.
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26 The content of Dencker et al.'s efforts to theorize the *process* of NE suggest strongly
27 that they did not intend for their conceptualization of NE to be so restrictive. However,
28 attempting to fuse a more inclusive perspective of NE with their singular focus on
29 physiological/safety needs gives rise to an argument that is beset with internal contradictions.
30 For example, it is said that, "under the condition of basic physiological needs", "supportive
31 institutional levers develop markets and elevate entrepreneurial skillsets" in such a way as to
32 enable necessity entrepreneurs with high levels of human capital to engage in
33 "experimentation" and "trial and error" in the hope of achieving a greater long-term payoff (pp.
34 9). Under the condition of "basic physiological needs", it is difficult to imagine "supportive
35 institutional levers" (which might include government initiatives or developmental agencies)
36 being oriented towards market development or the elevation of entrepreneurial skillsets. If the
37 situation was indeed so desperate that physiological needs were all that were salient, then surely
38 the focus of any rationally formulated developmental programme would be the provision of
39 food, clean water, medicines, and rudimentary shelter. If they deem it appropriate to provide
40 vocational training, then can we not assume, with a reasonable degree of certainty, that these
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3 physiological and safety needs have been at least moderately fulfilled? Similarly, for any
4 entrepreneur that shows herself to be willing to defer gratification by engaging in trial and error
5 and experimentation rather than pursuing a more modest but immediate payoff, it is surely
6 reasonable to assume (or, we could extrapolate from Maslow's theory) that her physiological
7 and safety needs have been at least partially attended to. In short, the degree to which these
8 process arguments can lay claim to any meaningful degree of consistency with their underlying
9 theory, namely Maslow's theory of motivation (1943, 1954), would seem to be low.

21 **A Way Forward: 'Who is a Necessity Entrepreneur?' is a Necessary Question**

22 Dencker et al.'s invitation to see NE as something which is singularly oriented towards the
23 psychological/safety needs of the practicing entrepreneur constitutes, we believe, an invitation
24 to cloak ourselves in a conceptual straitjacket. Far from building upon Maslow's theory, the
25 reductionist, unidimensional view of motivation upon which Dencker et al.'s conceptualization
26 of NE is predicated serves to underline why Maslow's theory, and the humanistic branch of
27 psychology to which it gave birth, remain relevant. Thus, the essence of our challenge to
28 Dencker et al.'s idea is simple: why should a conceptualization of NE not make room for
29 multiple levels of need – physiological, safety, belonging, self-esteem, and self-actualisation –
30 to co-exist at different degrees of intensity.²

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50 ² Such conceptual spaciousness might arouse concern about the prospect of an educated scientist or a highly
51 skilled technician finding themselves categorised as a necessity entrepreneur because they decided that their
52 "need" for self-actualisation could be fulfilled only by leaving their job to start a business of their own. Such
53 concerns are misplaced: the definition of NE, which delineates the phenomenon along the lines of available
54 livelihood alternatives and over which there is fairly little debate, provides a robust first line of defence against
55 this problem.
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3 What this would provide – and what Dencker et al.’s approach appears to lack – is the
4 conceptual space for more ‘embedded’ facets of context to figure in our study of NE. The
5 importance of embedded social institutions – of norms, customs, shared identities, and
6 solidarity networks – in the entrepreneurship process in BoP and other marginalized contexts
7 has been established beyond question (Jack and Anderson, 2002; Zoogah, Peng and Woldu,
8 2015), but they are crowded out by Dencker et al.’s fixation with the fulfilment of purely
9 material needs. By conceptualising NE purely as a behavioural reflex to material deprivation,
10 we are in danger of essentialising the economic aspects of NE at the expense of the social
11 aspects. This is inimical to the contextualized view of entrepreneurship that has been advanced
12 in recent years (Welter, 2011; Zahra and Wright, 2011), and which Dencker et al. rightly aspire
13 to advance. Physiological and safety needs do not have the requisite conceptual elasticity to
14 incorporate into them the relational aspects of context that seem to matter so much in
15 disadvantaged contexts. We cannot make sense of, much less theorize, the conditioning effects
16 that such relational factors exert on the entrepreneurial process without first recognising that
17 they emanate from the condition of *belonging* (Baumeister and Leary, 1995).
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37 In conclusion, while we share Dencker et al.’s conviction that NE needs to be better
38 theorized and that needs-based theories of motivation such as that set out by Maslow represent
39 a promising avenue for doing so, we diverge on the view that it is in any way theoretically
40 expedient to circumscribe our understanding of necessity entrepreneurship by “the
41 unambiguous boundary condition of basic needs” (pp. 9), that is to say, to focus on the
42 physiological and safety needs of necessity entrepreneurs at the expense of all others. The
43 overwhelming majority of those to whom we habitually refer as “necessity entrepreneurs” –
44 even those that are resident in developing countries – have their physiological and safety needs
45 fulfilled to at least a moderate degree. Both Maslow’s theory (1943, 1954) and the extensive
46 body of empirical literature on the economic behaviour of those that live in conditions of
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3 chronic poverty (as distinct from, say, conditions of drought or acute starvation) agree on what
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5 follows: other kinds of needs and material desires become salient and exert an influence on
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7 economic behaviour (Banerjee and Duflo, 2012; Tay and Diener, 2011)³. A conceptualization
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9 of NE that makes room for the need to feel a sense of belonging, the need for self-esteem, and
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11 (maybe even) the need for self-actualisation is not, we would argue, impractical, convoluted,
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13 or unwieldy. It is, in fact, far more consistent with the humanistic metatheory that underpins
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15 Maslow's needs framework than is the singular focus on physiological and safety needs that
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17 Dencker et al. propose. It also reflects much more fully the mounting body of knowledge
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19 relating to entrepreneurship in poor and marginalised settings.
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54 ³ See, for example, the remarkable propensity of those living in poverty to spend money on “things that make
55 life less boring” (Banerjee and Duflo, 2012: 36), like televisions, stereo systems, and mobile phones, despite
56 persistent deficits in calorific intake and housing quality. Such consumption patterns, although ubiquitous, are
57 completely anomalous according to the model of rationality espoused within Dencker et al.'s paper.
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