

## Chapter 2

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# A Helicopter View of Entrepreneurship

We thought it would be helpful to draw on the major contributions to the field of entrepreneurship education and how it is presently understood. The texts we have selected are by no means exhaustive, but they probably represent the most influential thought pieces used by “teachers” everywhere when they develop courses in entrepreneurship. If you are familiar with it, you ought to skip past this section, but if you are not entirely familiar with it and are somewhat new to the field, you may well find it helpful.

We also review, briefly, the present understanding of entrepreneurship education in terms of what is covered, processes and some of the factors that influence the design and delivery of entrepreneurship education. We also cover some of the pedagogies that are used in entrepreneurship education, especially when it goes beyond business school curricula.<sup>1</sup>

### 2.1 So, What is the Heffalump?

We take a definitional perspective from economics because in the end this area of human endeavour relates to economic well-being. There are other definitions of entrepreneurs that may be taken from a more humanist, psychological perspective but for us, this is the soap box on which we stand!

The Oxford English Dictionary defines an entrepreneur as:

*‘One who undertakes an enterprise; one who owns and manages a business; a person who takes the risk of profit or loss.’*

As far as the dictionary definition<sup>1</sup> is concerned, entrepreneurship is the act of being an entrepreneur. Entrepreneurship goes beyond start-up and management of a business. It can be equally applied to those working within a larger organisation. The definition proposed by Howard Stevenson at Harvard Business School perhaps describes much better what entrepreneurship is all about.<sup>2</sup>

*‘Entrepreneurship is a management style that involves pursuing opportunity without regard to the resources currently controlled.’*

Howard Stevenson’s definition includes:

- Pursuit of opportunity
- Rapid commitment and change
- Multi-stage decision making
- Using other peoples’ resources
- Managing through networks and relationships
- Compensating for value created

## 2.2 A Bit of History — Economic Theories Underlying Entrepreneurship<sup>3,4</sup>

Economic theory is concerned with two major questions about society:

- How does a society create new wealth?
- How does a society distribute wealth among its members?

Wealth creation and distribution are absolutely fundamental to social progress. Entrepreneurship along with the development of innovative scientific ideas is a major mechanism for ensuring both wealth creation and distribution.

Entrepreneurship itself has been around for a very long time, and over the last 250 years three different theories have emerged.

### **2.2.1 *Classical Capitalist Economic Theory***

Adam Smith in 1776 described the capitalist as an owner-manager who combined basic resources into a successful industrial enterprise. Meanwhile, the French word “entrepreneur” (meaning to undertake) was introduced and used to identify the owner-manager of a new industrial enterprise.

### **2.2.2 *Neoclassical Theory***

The overall direction of these theories is that self interest (“the invisible hand”) would guide individuals toward entrepreneurial behaviours. But towards the end of the 19th century, economic theorists saw no place for the entrepreneur. They argued that the market consists of many buyers and sellers who interact to ensure that supply equals demand. The market, which they described as a “perfect market” would therefore be at equilibrium, and this would be achieved by fluctuations in prices with supply levels. It followed that wealth would be created and distributed because of the way that this perfect market operates, and so did not allow for entrepreneurs to create new demand. This is considered to be mainstream economics and is most frequently taught in schools and universities. They defined perfect markets as:

- having many buyers and sellers, so no single one has an influence on the market price;
- prices are set by the operation of the market — by sales;
- products and services must all be equivalent in content so that they differ only in price;
- all buyers and sellers have complete knowledge of the market and the transactions that take place.

### **2.2.3 *The Austrian School***

In the early 20<sup>th</sup> century, Schumpeter<sup>5</sup> argued against neoclassical theory and insisted that entrepreneurship was far too important a part of

capitalism to be ignored. He proposed that innovation or the use of an invention to create a new product or service was the driving force behind the creation of new demand for goods and services. The market was, therefore, not perfect but chaotic because of the regular occurrence of entrepreneurs entering the markets with new innovations. This process of “creative destruction” destroyed the static market described by the neoclassicists and created a dynamic market which had continuous changes in buyer and supplier behaviour. It was these entrepreneurs who developed innovations to create new demand that was the mechanism of wealth creation and distribution. Influenced by the Austrian School, a further contribution to entrepreneurship theory was made by Kirzner.<sup>6</sup> He defined entrepreneurs as individuals who grasp opportunities for pure entrepreneurial profit and that they did this by uncovering unnoticed profit opportunities by being alert to them.

### **2.3 The Entrepreneur as a Decision Maker**

A further study in the early 20<sup>th</sup> century by Knight<sup>7</sup> considered entrepreneurship in relation to risk and uncertainty. He saw entrepreneurial gain as the reward for taking decisions under uncertain conditions and assuming responsibility for those decisions.

#### **2.3.1 *Types of Entrepreneur?***

There are many different types of entrepreneurs; some of them are listed below:

- Nascent entrepreneurs — thinking about it;
- Novice entrepreneurs — first time out;
- Serial entrepreneurs — several businesses in sequence;
- Habitual entrepreneurs — several businesses in parallel;
- Entrepreneurial managers — characteristics of entrepreneurs but work for an employer.

But what are the common features of successful entrepreneurs? Extensive work has been done to try to pinpoint what the exact

characteristics are and how their minds work. There is no set recipe but a number of studies have drawn together some of their key attributes, attitudes and behaviours.

**2.3.2 Six Dimensions — Howard Stevenson**

Howard Stevenson<sup>8</sup> looked closely at entrepreneurs both in start-up businesses and established companies, and developed a description of entrepreneurial behaviour based on six critical dimensions of business practice. At one extreme of each dimension, there is the entrepreneur who feels confident to seize an opportunity regardless of resource requirement and at the other, there is the manager whose aim is to utilise the resources they have as efficiently as possible. Figure 2.1 shows a representation of the six dimensions and their extremes.

Stevenson also suggested that entrepreneurs have a number of personal traits including:

- Tolerance for ambiguity
- Ability to create the illusion of stability
- Risk management

Entrepreneur	Key business dimension	Manager
Opportunity driven	Strategic orientation	Resource driven
Quick and short	Commitment to opportunity	Long and slow
Minimal with many stages	Commitment of resources	Complete in a single stage
Use or rent	Concept of control	Own or employ
Networks with little hierarchy	Management structure	Formalised hierarchy
Value-based and team based	Compensation and rewards	Individual and hierarchical

**Figure 2.1** Six dimensions of entrepreneurship – Howard Stevenson

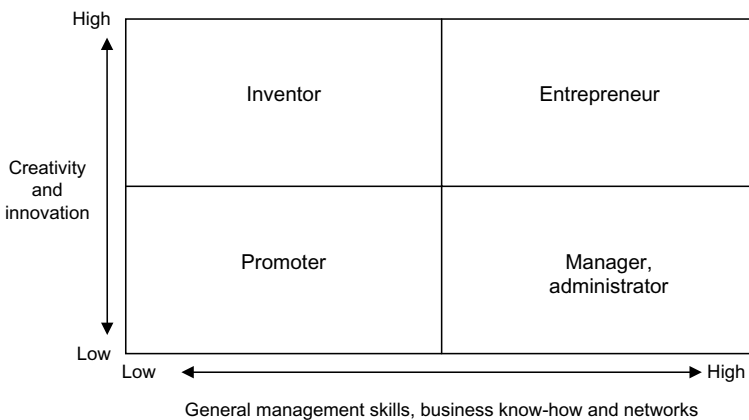
- Attention to detail
- Endurance
- Long-time perspective

In summary, entrepreneurs identify opportunity, assemble the required resources, implement a practical action plan and harvest the rewards in a timely flexible way.

### 2.3.3 *The Entrepreneurial Mind — Jeffrey Timmons*

Jeffrey Timmons<sup>9</sup> found that successful entrepreneurs shared common attitudes and behaviours:

- Work hard and are driven by intense commitment and determined perseverance;
- Optimistic outlook;
- Strive for integrity;
- Burn with the competitive desire to excel and win;
- Dissatisfied with the status quo and seek opportunities to improve almost any situation;
- Use failure as a tool for learning;
- Eschew perfection in favour of effectiveness;
- Believe that they personally can make a difference.



**Figure 2.2** The relationship between creativity and management skills

In his view, entrepreneurs who succeed not only possess creative and innovative flair, but also have solid general management skills and behaviours.

### 2.3.4 *The 10 D's — William Bygrave*

William Bygrave<sup>10</sup> summarised the important characteristics of successful entrepreneurs in everyday words.

Dream	Entrepreneurs have a vision and the ability to implement their dreams
Decisiveness	They make decisions swiftly, their swiftness is a key factor in their success
Doers	Once they decide on a course of action, they implement it as quickly as possible
Determination	They implement their ventures with total commitment
Dedication	They are totally dedicated and work tirelessly
Devotion	Entrepreneurs love what they do
Details	The entrepreneur must be on top of the critical details
Destiny	They want to be in charge of their own destiny
Dollars	Getting rich is not the prime motivator, but the measure of success
Distribute	Entrepreneurs distribute ownership of the business with key employees

## 2.4 The Entrepreneurial Process

Shane and Venkataraman<sup>11</sup> set out a neat three-part summary of the entrepreneurial process, indicating opportunity discovery, venture creation and exploitation. They build on extant literature, and we have chosen to use the diagram given to us by Moore,<sup>12</sup> which has further detail for those of us who want to get more fine grained with teaching rather than with research.

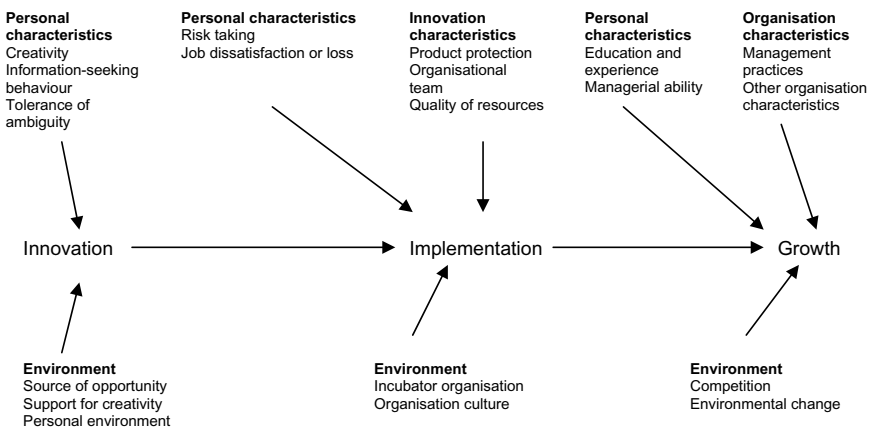
The entrepreneurial process consists of three phases:

- *Innovation phase*: time when entrepreneurs generate and select ideas for new products or services.
- *Implementation phase*: a triggering event and the acquisition of capital and other resources.
- *Growth phase*: the success of the new venture and the need to acquire new managerial skills.

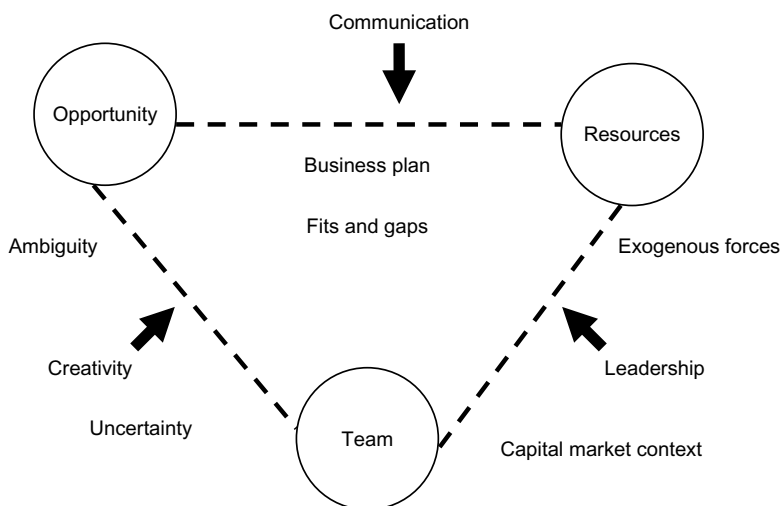
Each of these phases is influenced by a number of factors such as personal characteristics, the environment and the characteristics of the innovation as shown in Fig. 2.3.

A complimentary view is that the entrepreneurial process essentially brings together an opportunity an entrepreneur or entrepreneurial team and resources, and the forces behind the processes are that:

- It is opportunity driven;
- driven by a lead entrepreneur and an entrepreneurial team;
- it is resource thrifty and creative;
- it depends on the fit and balance among these and
- it is integrated and holistic.



**Figure 2.3** The entrepreneurial process



**Figure 2.4** Timmons Model of the entrepreneurial process

At the heart of the process (depicted in Figure 2.4) is the opportunity. Not all ideas are opportunities, their recognition and evaluation is crucial but the important characteristics of good opportunities are that there is an underlying market demand for the product or service because of its value-added properties, and that it will generate money either as a profit or as a means of creating self-sufficiency for not-for-profit organisations.

Resources need to be understood and utilised wisely. For the entrepreneur, at the early stages they are scarce so the entrepreneur needs to minimise and control them as opposed to maximise and own. The entrepreneurial team is a key ingredient for success. A key element of resources that need to be understood are team members.

Meanwhile, the team requires determination and persistence, tolerance of risk, ambiguity and uncertainty, creativity, team focus of control, adaptability, opportunity obsession, leadership, communication. The tool which integrates the three together is the business plan.

There is extant academic work that covers definitions, characteristics, roles and responsibilities, actions and motivations of entrepreneurs. The substantive works are reviews of a mix of well-grounded empirical research and provocative reviews and reflections. The excellent

review by Shane and Venkataraman positions what they describe as a transitory state of entrepreneurial behaviour at the nexus of opportunity and individual intent.<sup>13</sup>

However, as educators it is difficult to make sense of this literature, because the implications are that these are how people are — they are statements, irrespective of whether there have been surveys or not and none of them give you the impression that human change is possible. None of them links to educational literature or draws on fields outside economic theories, which in any case try and reduce all actions to rational human decision making.

There is a growing body of literature on the role of entrepreneurship education and even as far back as 1988, it was noted that there has been a rapid spread of entrepreneurship education in universities during the last 20 years. The distinguishing features of some of the newer degree programs included: (1) coverage of core basic area topics from the vantage point of start-ups, (2) knowledge pertaining to entrepreneurship in particular, (3) skill practice in persuasive communication in writing, oral presentation, and one-on-one negotiations, (4) more emphasis on creative thinking and synthesis, (5) authentic involvement in real-time ongoing entrepreneurship, (6) the creation of program venture plans by students, (7) practice in identification of opportunities stimulated around frontier technologies and path-breaking ideas and (8) exposure to role models of entrepreneurship.<sup>14</sup>

There is of course a growing body of literature from some of the newer scholars who are trying to understand how entrepreneurs learn to identify opportunities, grow into new roles and responsibilities and develop plans and actions to bring their ideas to life. However, in a systematic review of literature on entrepreneurship education, the picture painted was somewhat grim.<sup>15</sup>

## **2.6 It Is Like Cod Liver Oil — Good for You But We Don't Know Why!**

There seems to be a lot of it but it is difficult to identify any sense of purpose or direction to much of it.

Among their various conclusions here is what they say:

There is definitional and conceptual uncertainty and that outputs and outcomes are unmeasured in any consistent way so we do not yet know if any of it makes any difference!

There are several themes in research into entrepreneurship education that suggested the following areas of interest and concern:

- The policy climate for entrepreneurship education;
- The university context and enterprise climate;
- A series of activities that lead to pedagogical development within and outside the curriculum, increasing students' orientation and propensity for entrepreneurial careers;
- Academic enterprise and outreach activity predicated on the supply of faculty capability;
- Business/university interaction through consulting, courses, student interaction;
- Management training;
- Leading to graduate enterprise on the one hand and graduate recruitment on the other.

But underneath all this, it seemed that there is a lot of activity and energy expended, but without a clear vision for what one is trying to achieve.

There are both complimentary and conflicting goals, such as encouraging graduates into entrepreneurship courses, but actually seeing this as a means for enhancing employability. So, why do we need entrepreneurship skills? Do employers not want other skills more closely related to their own needs?

From being a collateral benefit, it has, in some institutions, become the reason for such activity and thus risks emptying the conceptual base of understanding the real-life world experiences of employees and entrepreneurs and in a way “mis-equipping” them.

There is little clarity about what the outputs are designed “to be” (e.g., graduate ventures; general education; business education; improved employability; enterprise skills. This lack of clarity about the intended outputs leads to significant diversity surrounding the inputs.

Although we can see that there are conceptual difficulties in the field, we recognise that this is a growth area, as stated earlier — society is moving on to embrace entrepreneurial behaviours, so it is now for the educationalists and trainers to develop programmes that meet the various needs.

Although for scholars the field can seem confusing, bearing in mind that society itself needs a great variety of individuals to fill its different needs, perhaps the fact that there is such a variety of offerings is a strength. The weakness may well be that the variety is an accident of incompetence and lack of understanding rather than a deliberate act of well-informed entrepreneurship educators.

In the next chapter, we have taken our own view of the way we think entrepreneurship education may be framed. In essence we see three major streams and a new entrant. The first might be described as formal education based around universities and being drawn from a long tradition of management education. This has resulted in many “how to books” as the content is distilled from more detailed curricula in universities. The second stream has been the growth of practitioner-led programmes that grew to cope with big social upheavals. These included many not-for-profit organisations. There is a third stream of skills-based training that has made its way into education. The fourth and most recent stream is the growth of TV format programmes that have captured the public’s imagination in a great diversity of topics including singing, dancing, cooking, survival in the jungle to business ideas and employee effectiveness. These programmes may appear trivial to scholars in the field, but should not be underestimated for the impact they have on millions of viewers. The impact may be the creation of aspiration, signalling accepted behaviours, inspiration, desire for imitation, reduced fear of failure and other cultural influences that strengthens an extended society.

## Endnotes

1. Our thanks to Dr Joanna Mills who wrote much of this section as part of the teaching notes on an undergraduate course in entrepreneurship at the Centre for Entrepreneurial Learning.
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