

Introduction to Entrepreneurship

Lecture 4

Entrepreneurship: Economic Vs Social

- French word 'Entrependre' referring to individuals who undertakes an 'endeavor'.
- It refers, anyone who exhibits the characteristics of self-development, creativity, self-decision making and risk taking.
- According to oxford dictionary Entrepreneur is 'one who organizes and manages enterprise involving high risk'.

Entrepreneur from Different Perspectives

- An **Economist** defines an entrepreneur as one who brings resources, labour, material and other assets into combinations that make their value greater than before and also one who introduces changes, innovations and a new order.
- A **Psychologist** defines an entrepreneur as a person who is typically driven by a psychological force, which create a desire to obtain or attain something.
- As per **Sociologist** a person whose actions would determine social status and contribute to societal development
- As per **Management** expert a person who has a vision and generates action plan to achieve it.

- John Hornday of Bobson College has developed a composite list of entrepreneurial traits:
 1. Self Confidence and optimism
 2. Positive response to challenges
 3. Ability to take calculated risk
 4. Flexibility and ability to adapt
 5. Knowledge of markets
 6. Ability to get along with others better
 7. Independent mindedness
 8. Versatile knowledge

9. Energy and efficiency
10. Creativity, need to achieve
11. Dynamic leadership
12. Response to suggestions
13. Take initiatives
14. Perceptive and foresight
15. Response to criticism

Schumpeter's Theory of Innovation

- Schumpeter's theory of entrepreneurship is a pioneering work of economic development.
- Entrepreneurship and economic development are interdependent.
- Development in his sense, implies that carrying out of new combination of **entrepreneurship is basically a creative activity/innovative or 'creative destruction'**
- Wherever there is entrepreneurship, there will also be social change.
- Schumpeter's conceptualization of creative destruction is somewhat different from this

The concept of innovation embraces five functions:

1. Introduction of a new good
2. Introduction of a new method of production
3. Opening of a new market
4. Conquest of a new source of supply of raw materials and
5. Carrying out of a new organization of any industry

According to Schumpeter

- Development is not an automatic process, but must be deliberately and actively promoted by some agency within the system. Schumpeter called the agent who initiates the above as entrepreneur
- He is the agent who provides economic leadership that changes the initial conditions of the economy
- By nature he is neither technician, nor a financier but he is considered an innovator
- Entrepreneurship is not a profession or a permanent occupation and therefore, it cannot formulate a social class like capitalist

Development vs Static

- Statics – defined as no change or automatic change in response to outside forces – is ‘the general rule throughout the history of mankind’ (Schumpeter, 2002, p. 111). Statics is, for example, the norm among artisans and peasants.
- The sociological factor that prevents development from taking place is **other people** or rather other people who are static
- A psychological factor involved, and that is the **resistance to doing something new** that each economic actor feels within himself or herself.
- While doing what is familiar, Schumpeter says, is always easy, doing what is new is not.
- ‘The whole difference between **swimming with the stream and against the stream** is to be found here’ (Schumpeter, 1911, p. 121).