2019-02

Tracing the concept of entrepreneurship and the role of an entrepreneur: A critical review

Giossi, Styliani

Research Institute for Entrepreneurship Development (RIED): Neapolis University, Pafos

http://hdl.handle.net/11728/11394

Downloaded from HEPHAESTUS Repository, Neapolis University institutional repository
Tracing the concept of entrepreneurship and the role of an entrepreneur: A critical review

Giossi Styliani
Adjunct Lecturer and Scientific Collaborator, Department of Educational and Social Policy, University of Macedonia, Greece

Anastasiadou Sofia
Professor, Department of Early Childhood Education, University of Western Macedonia, Greece

Gamanis Achilleas
Undergraduate Student, Department of Electrical Engineer and Computer Science, University of Patras, Greece

Gamanis G. George
Undergraduate student, School of Mathematics, Aristotle University of Thessaloniki, Greece

Abstract

This study provides a critical examination of how different theoretical perspectives present the concept of entrepreneurship and its relative issues evident in the creation and development of some theories, trends and strategies. As an entrepreneur is the most important factor either to the development of new ventures or to the majority of the theories of entrepreneurship, the present analysis highlights his/her roles and underlies the differences and similarities in various reviews and how he/she designated in the past and present days. Core issues related to entrepreneurship are also presented with the aim of developing insights that would advance the concept of entrepreneurship and accentuate types of entrepreneurship where different entrepreneurial skills, such as opportunity recognition and risk-taking, are apparent and help educators interested in the entrepreneurial education.

Keywords: entrepreneurship, entrepreneur, types of entrepreneurship, risk-taking, opportunity.

Introduction

There is a continuous rise in interest on entrepreneurship and entrepreneurial issues, like entrepreneurial spirit, entrepreneurial skills and entrepreneurial behavior, among the scholarly investigations and empirical surveys in an attempt to respond to economic crisis challenges such as unemployment, brain drain, refugees’ flows and immigrant employability as well as low levels of economic growth. To this vein, European Commission formulates strategies that advocate the empowerment of entrepreneurship through teaching entrepreneurship in all levels of formal education, non-formal and informal education in a lifelong process and in all disciplines of learning. Entrepreneurship education mainly aims to help learners to develop skills, mindset and behavior in order to be able to turn creative ideas into entrepreneurial action.
with or without a commercial objective (European Commission/EACEA/Eurydice, 2016, p. 121).

Entrepreneurship as a key competence was first announced in the 2006 Recommendation of the European Parliament and the Council on Key Competences for Lifelong Learning (where it was identified as initiative and entrepreneurship) among the eight key competences and more precisely there it referred to an individual’s ability to turn ideas into action, to be innovative, take the initiative, take risks, plan and manage projects aiming to achieve objectives (European Commission, 2006, p. 4).

A special focus on entrepreneurship is also evident in the strategic framework for Education and Training 2020 with three important programmes “Youth on the Move”, “An Agenda for New Skills and Jobs”, and the “Innovation Union” having as main objective to enhance creativity and innovation, and entrepreneurship in all levels of education and training. It is encouraging that education in recent years and the youth strategies have succeeded in promoting and developing entrepreneurship among the other key competences especially in Northern Europe (Eurydice, 2012, pp. 9-10

Under the belief that European strategies want to promote entrepreneurship as a remedy to unemployment and economic growth the conceptualization of entrepreneurship and the clarification of the roles of an entrepreneur are of great importance. Furthermore, the increase of entrepreneurial capital which is designated as the link of entrepreneurship, economic performance and regional development (Audretsch & Keilbach, 2004) follows the same path.

It is easily understandable that neither entrepreneurs nor entrepreneurship are new concepts of human experience (Hebert & Link, 1989, p. 39). But the intensive need of increasing the entrepreneurial capital raise the interest and the attention to what is entrepreneurship and which are the roles of an entrepreneur.

For this reason, a concise literature search for the evolution of the concept of entrepreneurship and other relevant issues was taken place seeking to clarify the meaning of entrepreneurship as well as the roles of an entrepreneur.

Methodology approach

How the concept of entrepreneurship and the roles of an entrepreneur are presented in different theories, trends and strategies were the main questions the present literature review pursues to give answers. This review was created by searching different scientific data bases, mainly by using as search keywords “entrepreneurship”, “entrepreneur”, “theories of entrepreneurship” and some other relevant issues. After the collection of a serious amount of articles, papers, reports and books, a selection was taken place. The basic criteria of that selection were to stand out the most important of the existing explanations and definitions of entrepreneurship, entrepreneur and relative issues which could be easily understood by anyone interested. For this reason, a further selection was made in order to find out comparisons of different approaches to meanings, definitions and descriptions since these could provide a better understanding and clarification of concepts through similarities and differences. Finally, some important definitions and explanations gathered in two tables, which were formed in order to emphasize some meaningful explanations and definitions and are expanded in detail on below.

Different perspectives about entrepreneurship

Entrepreneurship is described in various and different ways among which it is regarded as a factor, as a function, as an initiative, as a spirit and as a behaviour (Cuervo, et al., 2007, p. 3). More precisely, as a factor it is presented as a new factor except from the three classical factors of production-land, labour, capital. As a function it refers to the creation of a business or the
discovery and exploitation of new opportunities. As an initiative it covers the creation, risk-taking, renewal or innovation inside or outside an existing organization. As a spirit it covers exploration, search and innovation. As a behaviour, it is the one that manages to combine innovation, risk-taking and proactiveness (Miller, 1983).

Different theories offer different meanings, explanations and definitions to the concept of entrepreneurship. The majority of the traditional economic theories describe the meaning of entrepreneurship indirectly in the creation of a new venture where the entrepreneur is the leading actor. Other theories and trends introduce some entrepreneurial skills or entrepreneurial attributes in order to describe the role of an entrepreneur.

Entrepreneurship initially started as a theme to economics, to sociology, to management science and thus, it was faced under the triptych economics-sociology-management (Hebert & Link, 2009). Then, psychology follows which puts emphasis on entrepreneurial behaviour and creativity. With evolution of technology and the emergence of the digital economy, things have changed and greater emphasis has been put on innovation based on technological achievements. This indicates that entrepreneurship is studied through different interdisciplinary approaches and no one can predict which scientific field researchers interest will stimulate in future (Dagdilelis & Giossi, 2014).

Different perspectives and theories embrace entrepreneurship and are named correspondingly economic theories, sociological theories, psychological theories, entrepreneurial innovation theory, resource-based theory, opportunity-based theory, theory of high achievement, according to their reference field.

As it is not the scope of the present research study to present and analyze all these theories and perspectives, but to give some basic knowledge to those who are interested to have a first contact with the content of entrepreneurship and the roles of entrepreneur, a brief presentation of the characteristics of some important theories and perspectives was considered adequate.

The economic theories of entrepreneurship are based on the link of entrepreneurship and economy and emphasize the crucial role of the economic conditions and economic incentives like taxation policies, financial resources, market opportunities, availability of information and access to technology. In these theories the risk-taking of the entrepreneur is narrowly connected to the economic conditions.

In sociological theories of entrepreneurship the prominent interest of entrepreneurship is the public good, the needs of society and the growth mainly in social settings. In this case an entrepreneur can carry out a business to provide public goods such as a not-for profit organization and in this way he/she appear their ideological point of view, their values, their ethics, their preferences in cultural activities and their sensitivity in social problems. Contemporary theories of this kind deal with a new kind of entrepreneurship named as social entrepreneurship where the focus is not on the economic profit but on the benefit of the society. This orientation does not exclude entrepreneurs from risk-taking, innovative initiatives, discovering and exploiting opportunities but limits their actions to those for social wealth.

The psychological theories of entrepreneurship pay attention to the personality of the entrepreneur. Psychology can give answers to questions and explain decisive actions (behaviours), perceptions and implementations of opportunities (perception, cognition, emotions, motivation) concerning entrepreneurship as it has this role by definition (Frese, 2009, p. 439).

Entrepreneurial innovation theory highlights the value of innovation which is the vital part of entrepreneurship. Schumpeter (1934) characterized entrepreneur as an innovator who destroys equilibrium in a creative way. Innovation includes the production of a new product, the creation
of a new method and a new idea, the entrance in a new market and all new things that can create value.

Another theory is the resource-based theory where entrepreneurship is the driver of economic growth and progress (Bosma, Wekkeners & Amoros, 2011) and creates information, knowledge, and even economic wisdom (Holcombe, 2007). As entrepreneurs need resources for their entrepreneurial activities, the resources are of great importance and it is up to their capability to find and take advantage of them either these are capital, labor and time or access to information, education, leadership and other capabilities.

Concerning the perspective of opportunities, entrepreneurship deals with how, by whom, and what effects opportunities which are discovered, evaluated and exploited in order to create future goods and services (Venkataraman, 1997). The emphasis given to opportunities is the main point of opportunity-based theories. The approach of opportunities is based on the work of the Austrian economists (Hayek, 1945; Kirzner, 1973; Von Mises, 1949)

Furthermore, concerning opportunities the form of de novo startups can arise which they have very uncertain opportunities (Casson, 1982), they face opportunities which they do not require complementary assets hinting in this way the imitators and others followers to benefit at the expense of innovators (Teece, 1986) and opportunities where the information cannot be protected by the laws of intellectual property and thus, impeding the sale of opportunities (Cohen & Levin, 1989). Concerning the startups of recent times, there is a different aspect of opportunities. In this case, opportunities are dealt with technology, teamwork, open innovation and immediate and high profit.

The theory of high achievement or theory of achievement motivation is referred mostly to the McClelland theory of needs (McClelland, 1961; 1975;1985), which is one of the most eminent and pragmatic theory in personality and organizational scholarship (Royle & Hall, 2012, p. 25). In this theory there are three kinds of needs, the achievement needs, the power needs and the affiliation needs. In this theory, the characteristics of a person with prevailing the needs of achievement is his desire to excel, his search for situations where he/she can obtain personal responsibilities for finding new solutions to different problems. Indeed, achievement motivation is very important to entrepreneurship as entrepreneurs always want to success. The need for achievement stands out among the other two kinds of needs, where both of these kinds are dealt with relationships with other people, the former to gain dominance and the later to develop and keep friendships with other people.

Table 1 presents four types of entrepreneurship and their explanations found in the literature which were chosen based on the easy understanding of their meanings. To this vein, the ‘explanation’ regarded as suitable to this case, as there are many different definitions about the different types of entrepreneurship and in this study there is no need to encompass different definitions. Further, five entrepreneurial issues were selected to be explained as they are crucial to a better understanding of entrepreneurship as a whole.

**Table 1. Types of entrepreneurship and other relevant issues**

<table>
<thead>
<tr>
<th>Types of entrepreneurship and other relevant issues</th>
<th>Explanation</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intrapreneurship</strong></td>
<td>Entrepreneurship that is related to an entrepreneurial employee activity</td>
<td>(Bosma, Wekkeners &amp; Amoros, 2011. p. 7)</td>
</tr>
<tr>
<td><strong>Cooperative entrepreneurship</strong></td>
<td>Entrepreneurship which refers to a group of people who manage the venture</td>
<td>(Diaz-Focca &amp; Marcuello, 2013)</td>
</tr>
<tr>
<td><strong>Corporate entrepreneurship</strong></td>
<td>Entrepreneurship which is based on the combination of new resources internally generated in a firm, in order to extend firm’s competence and the corresponding set of opportunities</td>
<td>(Burgelmann, 1984, p.154)</td>
</tr>
</tbody>
</table>

| **Social entrepreneurship** | Social entrepreneurship is the creation of viable socio-economic structures, relations, institutions, organizations, and practices that yield and sustain social benefits. | (Fowler, 2000) |

| **Entrepreneurial capital** | The capital which is derived from the link of entrepreneurship, economic performance and regional development | (Audretsch & Keilbach, 2004) |

| **Entrepreneurial capacity** | *It is related to:* -structural formality, -structural differentiation and decentralization -control mechanisms -number of layers in the organizational hierarchy *It is affected by:* -multiple facets of organization structure | (Stevenson & Gumpert, 1985) (Miller, 1983) (Zahra, 1986) (Peters, 1987) (Covin & Slevin, 1991) |

| **Entrepreneurial process** | A process with factors which include: -the identification and evaluation of objective opportunities -the establishment of goals to exploit identified opportunities -the analysis of alternative means to fulfill goals and constrains due to environmental conditions. | (Shane & Venkataraman, 2000) (Sarasvathy, 2001) (Sarasvathy, 2001) |

| **Entrepreneurial Employee Activity (EEA)** | An indicator which includes the development of new activities for an individual’s main employer, such as | (GEM 2017, p. 25) |
Entrepreneurial learning

Learning which refers to the recognition and exploitation of opportunities; social interaction with the aim to initiate, organize and manage new ventures.

Learning which is based on creativity, informality, curiosity, emotion, real world problems and opportunities and takes place through entrepreneurial ways.

(Rae, 2005)

(Penaluna & Penaluna, 2015)

The roles of an entrepreneur

Entrepreneurs discover, evaluate and exploit opportunities; they initiate and motivate the process of change. Entrepreneurs consider change normal and healthy and they always search for change, respond to it and exploit it as an opportunity and this is the deep meaning of both entrepreneurship and entrepreneurs (Drucker, 1985, p. 27).

An important record of the entrepreneur's roles in the economic literature was carried out by Hebert & Link (1989). According to their reference twelve are the roles of an entrepreneur and these are: risk-taking role associated with uncertainty; supplier of financial capital; innovator; decision maker; industrial leader; manager or superintendent; coordinator of economic resources; owner of an enterprise; employer of production factors; contractor; arbitrageur; and allocator of resources among alternative uses (Hebert & Link, 1989, p. 42; Hebert & Link, 2009, p. xviii).

Different types of entrepreneurs have different synthesis of these roles. For example, a cooperative entrepreneur is risk-bearing, decision-maker, owner of the enterprise and contractor; a collective entrepreneur is financial capital supplier, decision-maker, manager, coordinator of economic resources, allocator of resources (Diaz-Focea & Marcuello, 2013, p. 245) while a nonprofit entrepreneur has only one of the roles described by Herbert and Link (1989) the risk-bearing role, and another different role which is an actor with ideological commitment and altruistic motives (Rose-Ackerman, 1997, p. 120).

Indeed, there are many theories which describe the roles of an entrepreneurs but a selection of three representatives were chosen to be presented in the following table (Table 2). The main reasons for the selection of these three theories and not others are: Firstly, the main aim of the present review which was to present some definitions and explanation about entrepreneurship and entrepreneur in brief, especially either to those having a poor understanding of these concepts or to those wanting to read a brief overview of the evolution of the entrepreneurship in order to begin a new research or further reading. Secondly, these three theories are essential for the creation of others and also represent the main points of the evolution of the entrepreneurship and the role of the entrepreneur.

Cantillon’s theory is one of the most important theory presented early in the 18th century. Cantillon showed the earliest interest in entrepreneurship and focused on the economic role of
the entrepreneur. Also, he recognized three classes of economic agents -the landoweners, the entrepreneurs and the hirelings-, and characterized the entreprenur as the central economic actor. He stated that “entrepreneurs and nonentrepreneurs are joined in reciprocal trade agreements and therefore entrepreneurs become cosumers and customs one in rgard to the other” (Hebert & Link, 1989, p. 42). Additionally, Cantillon’s theory consisted the basis for the distinction of the three traditions which present entrepreneur in functional terms and these are: the German tradition having as main representatives Thunen and Schumpeter; the Chicago tradition having as main representatives Mises and Kirzner and the Austrian tradition having as main representatives Knight and Schultz (Hebert & Link, 1989, p. 41).

The focus of traditional economic theories the search, evaluation and exploitaion of opportunities based on the demand and supply status and market needs, risk taking through a new venture and the requirement of return on investment with the entrepreneur to play a protagonist role in the economic growth.

One of the emerging theories of entrepreneurship refers to the use of resources not in long run plans and without paying attention to the environmental limitations.

Table 2 presents three different theories and eight perspectives of the roles of an entrepreneur found in the literature with the aim of clarifying them in a simple and easily understandable way.

**Table 2. Roles of an entrepreneur in three different theories and other perspectives**

<table>
<thead>
<tr>
<th>Roles of an entrepreneur</th>
<th>Theory</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>-he has a pivotal role in the economy</td>
<td>Cantillon’s theory of the entrepreneur</td>
<td>(Brown &amp; Thornton, 2013)</td>
</tr>
<tr>
<td>-he lives on uncertain income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-he is responsible for the production, circulation, and exchange of goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-he acts on perceived arbitrage opportunities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-he/she seeks, evaluates and exploits opportunities by searching where the demand exceeds supply</td>
<td>Traditional economic theory</td>
<td>(Shane &amp; Venkataraman, 2000)</td>
</tr>
<tr>
<td>-he/she establishes an entity in order to develop and deliver a product or service in a market with the aim to have return on investment</td>
<td></td>
<td>(Venkataraman, 1997)</td>
</tr>
<tr>
<td>-he/she focuses on his/her resources and ignore market needs</td>
<td>Emerging theory of entrepreneurship</td>
<td>(Khilstrom &amp; Laffont, 1979)</td>
</tr>
<tr>
<td>-he/she focuses on what he/she is willing to lose while chasing an opportunity</td>
<td></td>
<td>(Sarasvathy, 2001)</td>
</tr>
<tr>
<td>-he/she does not pay attention to the resource limitations given by the environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-he/she avoids long run goals and plans</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Perspectives on the roles of an entrepreneur**

<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>According to Mises, he is uncertainty-bearer, who</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(Rothbard, 1985, p. 281)</td>
</tr>
</tbody>
</table>
| **Entrepreneur** | According to Kirzner, he is characterized by alertness which means the perception of opportunities and then the exploitation of them. | (Kirzner, 1973)  
(Rothbard, 1985) |
| **Entrepreneur** | According to Schumpeter, he is an innovator. According to Schumpeter, he creates a dynamic disequilibrium through his innovation. | (Drucker, 1985, p. 27)  
(Schumpeter, 1934) |
| **Entrepreneur** | According to Knight, he takes risks and occupies a position of uncertainty. According to Knight, he is paid for taking risks. The ideal type of the entrepreneur is the top manager of the corporation and not the stockholder. | (Knight, 1921)  
(Langlois & Cosgel, 1993) |
| **Entrepreneur** | According to Mises, he is uncertainty-bearer, who receives profit in case of his successful future forecasting and suffers losses in case of failed future forecasting. | (Rothbard, 1985, p. 281) |
| **Social entrepreneur** | He is a major change agent whose core values center on identifying, addressing and solving societal problems. | (Drayton, 2002) |
| **Social entrepreneur** | Social bricoleur  
He focuses on discovering and addressing small-scale local social needs  
Social Constructionist  
He exploits opportunities and market failures by filling gaps with the aim to introduce reforms and innovation to the broader social system  
Social Engineer  
He recognizes systemic problems within existing structure and address them by introducing revolutionary change | (Zahra, et al., 2009, p. 519) |
| **Entrepreneur** (synthetic definition) | Someone who specializes in taking responsibility for and making judgmental decisions that affect the location, the form, and the use of goods, resources, or institutions | (Hebert & Link, 1989, p. 39) |

**Limitations and implications of the research**
One of the limitations is the selection of a very limited amount of theories for describing the roles of an entrepreneur. The analysis of some types of entrepreneurship by presenting only one definition or explanation for each is also another limitation. Also, the focus of this research mainly on those who have adequate knowledge about entrepreneurship and the roles of the entrepreneur can be included to the limitations.

This literature review could be useful and essential for all who are about to teach entrepreneurship in any level of education and with any interdisciplinary approach as well as for aspiring entrepreneurs as they could be well informed about what is the meaning of entrepreneurship, the role of an entrepreneur and the skills which are needed to have before they begin acting as entrepreneurs. Additionally, it can help policy makers to form strategies for promoting entrepreneurial spirit and mindsets and create a climate flourish for taking entrepreneurial initiatives such as the beginning of a start-up, some kind of cooperative entrepreneurship and self-employment.

Finally, the value of this research study could be its contribution to more clearly frame future research and the possibility to motivate other researchers to investigate entrepreneurship, entrepreneur and relevant issues in depth rather than to be evaluated as an complete and thorough review of relevant literature since it has a specific targeting.

Conclusions

This investigation of the concept of entrepreneurship is advocated by the designation of entrepreneurial capital introduced by Audretsch & Keilbach (2004), where the entrepreneurship is the one of the three main elements of the entrepreneurial capital while the other two are economic performance and regional development. Thus, the understanding of the meaning of entrepreneurship and the roles of entrepreneur through this literature review was considered to be the starting point firstly in understanding and secondly in developing entrepreneurial capital which is concerned to give solutions to current economic crisis problems.

As the role of the entrepreneur has changed, it is vital for those who attracted by entrepreneurial activities, to be prepared for recognizing opportunities, exploiting them and find the resources to begin a new venture.

In terms of entrepreneurial skills, it seems that in future they would not be related solely to entrepreneurs but also to other professionals. Thus, as entrepreneurial skills refer to abilities the demand of which is increasing in existing or new occupations can be characterized as emerging/new skills (CEDEFOP, 2014, p.75).

But the development of the entrepreneurial skills can not be achieved if there are no opportunities. The existence or the creation of opportunities is of great value because when entrepreneurs take advantage of opportunities this could have an impact on the economic environment and as a consequence it will offer additional opportunities and therefore entrepreneurship could lead to more entrepreneurship (Holcombe, 1998, p. 54).

Under the belief that the entrepreneurship can not be mainly effective due to economic reasons-as it was the case from the economists’ point of view in the past-, but due to the changes in values, perspectives, attitudes, demographics, institutions and education (Drucker, 1985, p. 13) emphasis should be given to policies, strategies and especially to education in order to support the entrepreneurial spirit which in simple words means the recognition, the evaluation and the exploitation of opportunities. As a result, everyone could be able to think and/or act as an entrepreneur either for his own benefit or for the economy and society’s benefits.

References


