

Introduction to Entrepreneurship

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- Mr. Patel of Nirma who was a chemist's assistance and has a Rs. 2500 crore company today.
- Mr. Bata was a cobbler
- Dhiru bhai Ambani who started life as a clerk in a French company in Aden.
- Lakshmi Mittal, the steel giant,
- Sabeer Bhatia Bhatia of Hotmail fame
- Narayan Murthy of Infosys
- Shehnaz Hussain or Ritu Kumar or Kiran Majumdar Shaw.
- A small glass kiln, Radha Glass, at Madhupur in Bihar, has been making tea shop glasses, jars. The eldest son of the family, Sushil Jhunjhunwala, inherited his father's business in the mid-1980s.
- "Dial 1298 for Ambulance" was set up by a group of young Indian professionals (Shaffi Mather, Sweta Mangal, Naresh Jain, Manish Sacheti and Ravi Krishna) who were all educated in the US and decided to return to pursue independent careers at various corporate firms.2005

Difference between Employment and Entrepreneurship

Employment

- Work for Others
- Follow Instructions
- Routine Job Earning is fixed, never negative
- Does not create wealth
- Can choose from-

*Government service Public Sector
Private Sector*

Entrepreneurship

- Own Boss
- Make own plans
- Creative activity Can be negative sometimes,
- generally surplus Creates Wealth, contributes to GDP
- Can choose from-

Industry Trade or Service Enterprise

Definitions of an Entrepreneur

- **1725: Richard Cantillon:** An entrepreneur is a person who pays a certain price for a product to resell it at an uncertain price, thereby making decisions about obtaining and using the resources while consequently admitting the risk of enterprise.
- **1803: J.B. Say:** An entrepreneur is an economic agent who unites all means of production- land of one, the labour of another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.

Definitions of an Entrepreneur

- **1934: Schumpeter:** According to him entrepreneurs are innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new services.
- **1961: David McClelland:** An entrepreneur is a person with a high need for achievement [N-Ach]. He is energetic and a moderate risk taker.
- **1964: Peter Drucker:** An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.
- **1971: Kilby:** Emphasizes the role of an imitator entrepreneur who does not innovate but imitates technologies innovated by others. Are very important in developing economies.
- **1975: Albert Shapero:** Entrepreneurs take initiative, accept risk of failure and have an internal locus of control.
- **1983: G. Pinchot:** Intrapreneur is an entrepreneur within an already established organization.

Economic Views

- **Joseph Schumpeter** looms large because he broke free of the limiting view that only Capital or Labor produced new wealth or income – that a *classless* innovator, an entrepreneur, who could arrange capital and labor in new ways could be the center of economic growth and a subsequent redistribution of wealth. His penetration (however briefly) that a *creative human being with management ability* was what the economic planets of Communism, Socialism and Capitalism orbited around, was a tremendous breakthrough.
- **Frank Knight** matters because his distinction between risk and uncertainty unearthed a more precise definition of profit (*“Profits arises out of the inherent absolute unpredictability of things, out of the sheer brute fact that the results of human activity cannot be anticipated and then only in so far as even a probability calculation in regard to them is impossible and meaningless. The receipt of profit in a particular case may be argued to be the result of superior judgment”*) which showed that true creativity was democratized, and building upon Schumpeter, that a **reward for ‘new’ things could be justified outside of the paradigm of greed or exploitation**. If the capacity for ‘superior judgment’ was uniquely held and executed, a ‘profit’ could arise anywhere and be well-deserved.

Ivan Light is enormously valuable because he illuminates how informal custom and cohesion are the base of trust upon which entrepreneurial based-economic development stands. His demonstration of why 19th and 20th Black Americans (as opposed to Chinese and Japanese immigrant communities) struggled to form a sustainable business class is seminal. And his comparison of informal savings traditions across ethnic groups – a base of risk capital far greater than commercial banking loans - is peerless. In his work lies unexplored avenues to understanding why kith and kin deploy savings and form capital more efficiently than either Government or Market during economic contraction.

Reuven Brenner stands alone with his model of why people become entrepreneurs – persons who gamble on novel ideas. His emphasis on how declines in the wealth distribution inspire increased entrepreneurial activity and produce ‘profits’ offers refinements to both Schumpeter and Knight. And his consideration of family as the first source of capital for entrepreneurs, particularly when markets are closed and government bureaucracy are inaccessible, compliments Light’s work. Brenner’s work can help entrepreneurs understand rivalry, competition and cooperation at the individual, company, national and international level far better than academically-revered models like Game Theory. Despite his ability to make mathematical formulas with the elite, Brenner labors to provide clear and precise language anyone can understand.

Entrepreneurship Theories

1. Necessity versus opportunity entrepreneurship

There are two different types of entrepreneurs with different incentives and consequences.

2. Institutional theory and entrepreneurship

Entrepreneurs need to build legitimacy in order to succeed in business.

3. Emancipation theory and entrepreneurship

Views the entrepreneur as leading a process of emancipation.

4. Withdrawal of status respect theory of entrepreneurship

Takes a long run perspective examining the entrepreneurial tendencies of whole cultural populations.

5. Social capital theory of entrepreneurship

This theory views the entrepreneur's social capital as the most important determinant of entrepreneurial entry and success.

6. Population ecology of entrepreneurship

Views entrepreneurs as variations in an evolutionary process akin to natural selection.

7. Information processing theory of entrepreneurship

This theory views humans as inherently limited information processors and focuses on organizing in ways that optimize information processing.

The structure of social networks and their component parts may influence entrepreneurship.

9. Social identity theory and entrepreneurship

This theory focuses on the individual's self-perception as the main driver of entrepreneurial behaviors.

10. Critical theory of entrepreneurship

Critical theory questions the assumptions and approaches to entrepreneurship research currently in use.

11. Weak ties theory of entrepreneurship

The main idea is that opportunities come from acquaintances not from close friends.

12. Embeddedness theory of entrepreneurship

The theory looks at the entrepreneurs as part of a web of durable social relations that constraint and enable them.

13. Social judgement theory

The theory looks to the perceptions of others as a constraint for new entrepreneurs and their ventures.

14. Diffusion of innovations theory

This theory puts the emphasis on innovations and how they diffuse according to a regular process.

15. Informal entrepreneurship theory

An emerging literature that recognizes the importance of informal types of entrepreneurship.

ENTREPRENEURSHIP: SOURCES OF SUPPLY AND MOTIVATION

<i>Author</i>	<i>Entrepreneurial Phenomenon</i>	<i>Source of Entrepreneurial Supply</i>	<i>Motive Force or Triggering Factor</i>
1. Schumpeter	Individual	Extraordinary individuals	Innate urge to achieve success
2. Weber	Status Groups	Extraordinary individuals	Religious beliefs Calvinist ethic
3. McClelland	Religious and Social Groups	Individuals with high n-achievement, creative	Child-rearing practices and climate
4. Hagen	Subordinated Groups	Individuals in the society driven by a duty to achieve	'Status withdrawal' and 'relative social blockage'
5. Cochran	Individual	Society's model, personality determined by its cultural values, role expectations and social sanctions	'Social Acceptance' of entrepreneurial role
6. Young	Homogeneous	Relative subgroups (ethnic communities) occupational groups, or politically-oriented factions.	Deviant view of the world strengthened by group solidarity
7. Kunkel	Group	Operant conditioning procedures in a society	Reinforcing stimuli and aversive stimuli
8. Hoselitz	Group	Culturally marginal groups	Gaining social recognition.

Source: V. Lakshmana Rao: Industrial Entrepreneurship in India, pp. 85-86.

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