

1

Understanding Entrepreneurship: An introduction

Mike Danson

The idea of 'enterprise' has entered the lexicon of economic development tools, active labour market policies, and employability skills for graduates, amongst other areas of public and private life in recent years. A quick look at the literature, however, shows a much narrower application of the term even as late as the 1980s and 1990s, when 'multinational enterprises' was the dominant use of 'enterprise' in business and economics texts. 'Entrepreneurship' and 'entrepreneur' have longer histories but these have tended also to accrue new powers as economies have restructured and developed in new ways. As with other sub-disciplines, though enterprise and entrepreneurship have spread gradually beyond their traditional social cores, their study, application and analysis have evolved over time to embrace a wide range of strategic, social, political and economic areas. This chapter introduces the concept of 'entrepreneurship' and offers a launching platform for the remainder of the book.

The definition

There are many definitions and lists of characteristics of 'entrepreneurship' and what it means to be 'an entrepreneur'. None is accepted by all, and examples of individuals who do not fit the stereotype or profile can also be found. Most commentators and scholars, however, will work with:

... the role of the entrepreneur: the Knightian approach, which highlights the risk-bearing and uncertainty-reducing role of entrepreneurs; and the Schumpeterian approach in which the entrepreneur is an innovator (Deakins and Freel, 2003, p9).

Timmons and Spinelli (2008), who have been highly influential in promoting the concept and application of entrepreneurship to the creation of new firms, identified the central themes or driving forces that dominate the dynamic entrepreneurial process as being:

- Opportunity driven
- Driven by a lead entrepreneur and an entrepreneurial team
- Resource parsimonious and creative
- Depending on the fit and balance among these
- Integrated and holistic.

If we unpick such working definitions, it can be seen they include the proposition that an entrepreneur is an individual – and so many studies focus on the personal characteristics, as we shall explore, although family businesses have always been a key part of the economy and so a focus of the research agenda. Also, however, the rise of not-for-profit businesses, which are run by entrepreneurs for a common or wider good, have attracted much attention and these are now an essential part of any consideration of where and how entrepreneurship is practised. Interestingly, the idea of the lone entrepreneur, with characteristics of risk taking, creativity, motivation to be their own boss and so forth, has been applied beyond the context of small and medium enterprises to much larger corporations where specialist managers operate within departments; this has led to interest in corporate entrepreneurship being linked to the core study of new, small and growing enterprises.

Within this brief introduction, it is apparent already that these terms of ‘enterprise’ and ‘entrepreneurship’ are fuzzy concepts which mean different things to different people, and are applied somewhat loosely in different contexts, disciplines and policy areas.

Do you know an entrepreneur?

In the mid-1990s, when the regional development agency for Scotland investigated why there was a lower rate of new business start-ups than in other parts of the UK, and indeed than much of the European Union as constituted at that time, they surveyed members of under-represented groups about their knowledge and attitudes to entrepreneurship and enterprise. However it was defined, and despite using prompts to try and make the concept clear, still over half of respondents claimed they did not know an entrepreneur. For most people in society, and in just about any economy in modern times, it might be thought they must surely be related to, know of or otherwise recognize someone in their community who could be considered as an entrepreneur, so this finding was surprising.

Even where it seems that there should be recognition and agreement over the use and meaning of the terms, such as in this survey, many had difficulties in understanding what and who is being referred to. This book therefore introduces entrepreneurship and enterprise from an academic perspective, based on theories and applications. It provides the basis for understanding the concepts, their origins and development, and how they have evolved and been applied. Knowledge and appreciation of the growing use of enterprise and entrepreneurship in wider forms is introduced in chapters on creativity, leadership, internationalization and other features which demonstrate the porous boundaries of the subject. Being able to integrate these various dimensions into analyses of individuals, firms, industries and economies, and to borrow from other disciplines to inform such work will enhance understanding.

Research on the role of SMEs and of new firms in the economy has revealed that regions and nations with high rates of start-ups also show high 'death' rates and, in aggregate, overall growth in the numbers of enterprises (Ashcroft and Love, 1996; Greene and Mole, p. 25-26). The significance of this churn, which is greater in the more dynamic cultural environments of the core regions of most economies, means that being aware of the drivers of exits, closures and failures of firms is essential if start-ups and entrepreneurship are to be understood more fully (Deakins and Freel, 2006, p. 5).

Growth of the firm through expansion into new markets and internationalization has been studied from the early days of interest in enterprise and multinational enterprises especially, but the different factors, features, constraints and opportunities faced by smaller companies requires a dedicated appreciation and discussion of these issues for new and growing businesses.

As larger operations are considered in entrepreneurship, with separate parts of the firm having their own managers, objectives and relationships, so the divorce of ownership and management leads to a need to consider the role of leadership within the company. An examination of different aspects of entrepreneurial leadership within the organization has therefore come to feature in wider considerations of all sizes of business. Managing risk is a key role and responsibility for those who and manage enterprises, regardless of size, sector or complexity, so that within the underlying theories on enterprise and entrepreneurship, rewards for taking risk is cited as crucial to understanding economic and personal motivations; together with the extension of entrepreneurship into larger firm environments, these demand consideration of the importance of business ethics in these contrasting contexts.

Although there is a tendency amongst some academic and business development agency practitioners genuinely to conflate the study and the application of entrepreneurship, this book is not, however, about how to start a business, raise

finance, identify market opportunities, gain access to export markets, manage risk or to address any of the other features involved in being an entrepreneur or being enterprising. Rather it is to allow you to gain a grounded and informed grasp of the subject area so that you can take your new knowledge, skills and understanding and apply it in research and application. The remainder of this Introduction presents each of the chapters, to open up their aims, objectives and approach to understanding entrepreneurship.

Entrepreneurship

As is described in Chapters 2 and 3, the first scholarly discussions on ‘entrepreneurship’ and ‘entrepreneurs’ can be traced back over two centuries ago. The twentieth century could be said to be about the increasingly dominant role of massive corporations in economies, industries and markets, and so analyses and policies research have been focused on these major players also. Oligopolies operating across national and then international markets seemed to be on an inexorable rise in such globalized sectors as oil, cars, computers, and steel, as companies with massive monopoly power applied their production and marketing economies of scale to exert pressure on domestic markets progressively across the world. In some cases, natural monopolies were nationalized by the state to offer home businesses protection from super-profits being made and, in some cases, these state-owned firms entered international markets or international cartel agreements to create barriers to imports.

Despite this, from the early 1970s onwards there was a growing unease at the demise of the small and medium enterprise in the USA and UK, especially, in contrast to the continuing strength of the *mittelstadt* (SMEs) in Germany. The oil crises of that decade, the recession of the early 1980s, deregulation and privatization under Reaganism and Thatcherism led to and were led by major restructuring of the European and North American economies, with the USA and UK again leading many of the strategic and policy developments. As Keynesian interventionism gave way to *laissez faire* monetarism so there was a concomitant move towards a promotion of endogenous recovery and growth for communities, regions and sectors. And so the environment was set for increased global interest in entrepreneurship both by theorists and by institutions.

Chapter 2 explains, since the early 1980s this has generated “a remarkable renaissance in terms of the recognition of small firms’ centrality as a necessary competitive instrument in the development of a modern, vibrant and progressive economy” (Beaver and Prince, 2004, p. 34). Entrepreneurs are recognized as now having a central role in economic development at all levels, and in the creation of income, wealth and evolutionary change. As well as official statistics