

Academic Theories of Entrepreneurship

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[Course]

Introduction

Until the end of the 1950s, it was undeniable that the entrepreneur's analysis was purely economic. The theorists of the domain remain almost all prisoners of the methodological individualism. Beginning in the 1960s, without defining a definite boundary, and with a few exceptions, the entrepreneur's analysis, alongside economic theories, was interdisciplinary (McDougall-Covin et al., 2014). It emphasises its actions and behaviours, its psychological traits and the influence of social and cultural variables. The current literature on entrepreneurship rejects the exclusivity of analyses dear to the neoclassic, focused on the "individual" actor.

This course of discussion attempts to identify the entrepreneur and the theoretical evolution. To better understand the entrepreneur in line with the concept of entrepreneurship that we adopted and see what is the appropriate concept of entrepreneur is.

Socioeconomic peregrinations of the entrepreneur

The word "entrepreneur", was born in France at the end of the 17th century (Barreto, 2013). Smith & Chimucheka (2014) assigns the principal function of the entrepreneur to the accumulation of capital and the smooth running of his business as the sole objective. It distinguishes profit, the entrepreneur's source of income, wages and rent. The profit which the entrepreneur derives from the employment of capital is a constituent part of value. Unlike wages

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and rent, the latter does not increase according to the economic state of the nation, that is to say, the state of national wealth. Smith & Chimucheka (2014) add that the ordinary profits of capital cannot be affected by the constancy or uncertainty of employment in any industry. It is the trader's fault and not that of business, if capital is not constantly employed. It traces four ways of using capital. It may be used for the supply or manufacture of raw materials for use and consumption; It can be used to transport these raw or manufactured products, or to the fragmentation of these same products to meet the needs of daily consumption.

If the activity of the entrepreneur is new, whether it is a new manufacture, a new branch of commerce or a new practice in agriculture, the latter aims to realize the profits as high as possible. He is then "speculator" in the sense of Smith & Chimucheka (2014), and his particular interest may even be contrary to the general interest. Only personal profit guides the use of capital in a given activity. He, however, divides the capital into two: fixed capital and circulating capital. It produces a clear separation between the capitalist who lends for an interest and the businessman who employs the capital he holds or borrows.

Naudé (2013) criticizes this approach because the analysis was not articulated with those of Barreto (2013). Smith & Chimucheka (2014) with their famous invisible hand, depersonalizes the entrepreneur (Kuratko, 2016). Our criticism will focus on the non-existence of an analysis of the role of the entrepreneur and his influence as an economic agent on economic activity. In this sense, there is a regression, at least on the axis of time, in comparison with Barreto (2013). Linden (2015) establishes a theory of pure political economy, which he contrasts with applied political economy. Linden (2015) states that a single individual can accumulate two, three or even all his functions. The diversity of these combinations engenders the diversity of business modes.

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This paradox, according to Naudé (2013), is that in the context of general equilibrium theory, the entrepreneur, who is initially identified as a separate actor, is reduced by the law of Supply and Demand, to a Transition and Market Coordination Officer. The author empties his contents the act of the entrepreneur as an actor of economic life. Linden (2015) makes the observation that entrepreneurs do not make any profit or loss, but they do not subsist as entrepreneurs, But as landowners, workers or capitalists in their own enterprises or in others. He goes so far as to conclude that, at the state of equilibrium of exchange and production, one can disregard the intervention of the entrepreneur. It thus ignores the risk that it can bear.

Thus the entrepreneur combines the factors of production, but one has to agree with Audretsch et al (2015), to say that Linden (2015) does not grant it any exceptional character. The mathematical formalization of the economy has helped to erase the dynamic role of the entrepreneur. Assuming risk and leading are two roles that have gradually been dissociated and have become entrenched in the character of the entrepreneur. This explains, during this first phase, that the entrepreneur's approaches have been divided into two groups, one highlighting the notion of direction or organization and the other that of risk.

The organizer

Goffee & Scase (2015) centring the analysis on the criterion of direction by dividing the processes of human industry into three operations, he distinguishes the scientist who studies the laws of nature, the entrepreneur, and the worker who works under their orders. The entrepreneur takes advantage of the scientists' knowledge to create useful products. It is the farmer, the manufacturer or the trader who undertakes to create on his behalf, for his own benefit and risks, any product 130. This typology, he says, is set up with a view to dividing occupations in order to

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increase the products of society. Smith & Chimucheka (2014), like Goffee & Scase (2015) analysed the merits of the division of labour. The author puts the entrepreneur at the centre of economic reasoning as he is a rational and dynamic economic agent guaranteeing the economic equilibrium.

Goffee & Scase (2015) describe entrepreneur as the intermediary between all classes of producers and between them and the consumer, and administers the work of production. He is the centre of many reports, they takes advantage of what others know and do not know, and of all the accidental advantages of production. Goffee & Scase (2015) make an interesting contribution: the distinction (delicate according to what he says) between the functions of entrepreneur and provider of capital, the latter being remunerated by the profit of capital. The two functions can be combined by the same person, but this is not necessary. The entrepreneur is not necessarily a member of a particular social class. He is charged with fulfilling an original economic function which must be assumed irrespective of the economic system.

The entrepreneur is above all an organizer. He harmonises the three factors of production, land-labour-capital, to seek maximum utility. Nevertheless, some risks still accompany industrial companies, even those that are best conducted. They are not immune to failure. The entrepreneur can compromise his fortune, possibly losing his honour, a symbolic capital in the event of bankruptcy (Goffee & Scase, 2015).

Leading and organizing on the one hand, and taking risks, on the other hand, are the two most characteristic features of the entrepreneur's activity, and they have remained so. The analysis of Goffee & Scase (2015), however, presents a weakness due to entrepreneur's static character. His central concern is the study of an entrepreneur acting in a certain universe, that is

to say, responding to the impulses of the markets tending themselves towards equilibrium. He considered that the supply creates its own demand, which means, in a certain evocative but not clearly defined sense, all production costs must necessarily be spent directly or indirectly in the whole community on the purchase of production. Goffee & Scase (2015) add that a theory based on such a basis would not be suitable for the study of problems relating to unemployment and the economic cycle. Goffee & Scase (2015) neglect the disruptive role of the entrepreneur, his action on the environment. Nevertheless, he writes that the well-being of a country depends on its labour force and the dynamism of its entrepreneurs.

The risk taker

According to Antoncic et al (2016) whatever the time considered, the activity of the entrepreneur is assimilated to a risky action. As a true entrepreneur, Barreto (2013) depicts this element, as a manager of production and trade, the entrepreneur bears the risks related to market constraints and price fluctuations. It makes purchases at certain prices to obtain all the factors necessary for its production. However, sales and revenues are unpredictable. Entrepreneur's income, profit, is uncertain. However, it gives the contractor the opportunity to anticipate the risk by making purchasing decisions and setting the appropriate price for his goods. If he grants them an excessive price, he will be bankrupt. The assessment of the state of the market depends on his personal experience. The instinct of profit always leads to the use of the most advantageous methods. Barreto (2013) makes the entrepreneur, explicitly, a centrepiece of economic dynamics. He can be reproached with constructing his analysis on the postulate of the natural equilibrium towards which everything returns or tends to return. At the beginnings of economic thought, Barreto (2013) ignores the true role of the entrepreneur, which extends beyond intermediation into activity. Cullen et al (2014) point to the difficulty of a structured entrepreneurial theory and

emphasises the uncertainty associated with economic evolution. Contrary to Barreto (2013) they make a distinction between risk, insurable, and uncertainty, not insurable.

Insurance is a means of protecting oneself against risk, while there is no insurance against uncertainty. At most it can be reduced. The risk, either through a priori calculation or by statistics of previous experiences, can be assessed, while uncertainty cannot be assessed. It is the latter which plays a dominant role vis-à-vis the entrepreneur insofar as it presents situations for which probabilities cannot be determined by reasoning or statistical inference. The profit that the contractor derives from it is a counterpart of the uncertainty and is a proportional function of it. As a result, according to Cullen et al (2014), the function of entrepreneur is not to organize production, but to judge the foreseeable future.

With the dominance of neoclassical thought the entrepreneur who occupied a primordial place in Goffee & Scase (2015) disappeared almost entirely from literature. However, according to Phelan (2016) some authors such as Galindo & Méndez (2014) and Cullen et al (2014) are exceptional and are on the side-lines of this rational calculation thinking that ignores initiative and innovation. This step is a reaffirmation of the entrepreneur as a key figure in economic activity.

For Kuratko (2016) the entrepreneur is an agent of change because it improves the allocation of resources in order to maximize profit. More than a coordinating officer, it spontaneously and independently injects new elements into the market. Its agility in discovery and its ability to take advantage of instability are its fundamental qualities. His choices are as much about creative imagination as logical deduction. The author makes the entrepreneur

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responsible for his structure. He personifies him into an individual, as opposed to a team, committee or organization.

Galindo & Méndez (2014) mark an important evolution in the understanding of the entrepreneurial function. He makes the entrepreneur an economic agent of a particular species, the engine of technological progress which makes new combinations of the means of production and realises innovations. The author distinguishes the invention, which is a scientific activity not necessarily motivated by economic progress, and innovation. Exceptionally, the entrepreneur can be an inventor. The latter develops a technique that the innovator seeks to exploit for the creation of wealth. Innovation implies a deliberate decision on the commitment of scarce resources to apply the inventionGalindo & Méndez (2014) emphasize that individuals capable of innovating merit the name of "entrepreneur"; they are imaginative and show initiative and will. They ensure the passage between the scientific world of discovery and inventions, and the economic world of innovations.

The system can progress quickly only if the creative effort is rewarded. Through innovation, the entrepreneur introduces an imbalance in the economic circuit and can seize profit, but this one is temporary. Every innovation inevitably ends up being imitated, and when it is generalised, a new state of equilibrium is reached and the source of profit disappears. Thus, the link between profit and innovation is twofold; On the one hand, innovation is the only active way to take a profit, which appears as the stimulus of progress, and on the other hand, profit is the remuneration of innovation which is the reward given to the dynamic entrepreneur.

However, Galindo & Méndez (2014) give the entrepreneur a more restrictive definition than that of Goffee & Scase (2015). He totally rejects the concept of risk. He writes that it is

always the capitalist who bears the risk alone ... The conception of the entrepreneur as the one, who bears the risks, is incompatible with the ideas. This position is, excessive, even when ownership of production tools becomes distinct from their use. Every innovation involves hazards and the will to win is never without risk. The circumstances as a rule, contrary to what Galindo & Méndez (2014) thought, suddenly change.

Phelan (2016) considers that one of the major obstacles to understanding the entrepreneur lies in the incomplete theory of production function. He considers the firm as an organization composed of different individuals between whom there is no unanimity in terms of objectives. He distinguishes in business activity what is routine, which looks at management, and what is exceptional and which constitutes the true function of what he calls the "N-Entrepreneurs". In both cases, the role of the entrepreneur is to coordinate activities that involve different markets¹⁴⁷. For this author, it is the entrepreneur's vigilance with regard to imbalance that distinguishes him from other agents. He considers the entrepreneur's functions as a creative response to the inefficiency X ("gap-filler") and a transformation of the input-transformer ¹⁴⁸. Insisting on the fact that there is no universal theory of development, he notes that the entrepreneur is the engine of growth.

Position reinforced by socio-economic legitimacy

Growth in disposable income in the 1960s and 1970s created an increase in demand. It was necessary to adapt the products more and more finely to the new individual and social habits and to add services to meet the non-standardized needs. Product markets have been fragmented into multiple micro-markets, much more limited and more unstable. Second, members of the middle class found themselves in a state of over-equipment and saturation in industrialised

goods. It is therefore necessary to develop new activities, and the innovation is then focused on service activities. However, adaptability, flexibility and customer proximity are essential assets that large bureaucratic firms have often been unable to provide.

The entrepreneurial movement gives the entrepreneur an important role in the life of the 21st century. Economic and social conditions are constantly changing, and each generation of authors contemplates the entrepreneur in a clean and often different way. The present sensibilities are hardly distinguishable from the previous ones. Some, such as Phelan (2016) like Galindo & Méndez (2014), favour innovation, whether in a setting of entrepreneurship. Others, such as D'Orazio & Giulioni (2017), in the line of Barreto (2013) or Goffee & Scase (2015), are interested in the entrepreneur as the one who assumes the risks and the responsibility for the implementation of a new company.

Today, the entrepreneur usually merges with small business. He is no longer heroic by major innovations that are disrupting society. He often creates his own job. He is close to its customers, suppliers, financiers and local partners. He is part of a complex network of companies where he finds his source of innovation.

Towards new entrepreneurial figures

It sometimes seems easier to understand the motivations of early entrepreneurs who viewed economic success as a primary objective. Today, the rationality of the behaviour of economic agents is challenged. For Cullen et al (2014) the entrepreneur can no longer be conceived as a mechanically reacting agent in the market. In the now famous analysis of the relations between protestant ethics and the rise of capitalism, Markantoni et al (2014) point out that the increasing search for profit has nothing to do with capitalism. The latter, rightly said, is

not the pure product of financial transactions. Profit is not the only goal that guides business people. The realisation of self also appears as a desired goal. Profit is only a measure of how the work is done. Cullen et al (2014) note that profit optimisation calculations hold little place in the lives of entrepreneurs. Kuratko (2016) distinguished modern forms of economic life from old forms by what he called "economic freedom." This freedom can lead to partial renunciation of individual freedom when association is a way to achieve the desired goal. This is a motivation that is not completely foreign to reason and economic law.

Entrepreneurship no longer finds its explanation in an equation of profit and financial gain. The traditional theories of the economy are truncated in the face of entrepreneurs who are not entirely homo economicus. Changes in all spheres of activity, revision of the way in which public affairs are managed, failure to satisfy certain needs by the State or the market, segmentation of collective needs have led to the emergence of a new economic phenomenon, socio-economic entrepreneurship. It is part of the competitive economy while relying on public funding. Neither public nor private, it takes various forms, namely a social enterprise, a non-profit organization, an association, a financial mutuality etc. The rise of this phenomenon has brought a new entrepreneurial figure, Social entrepreneur.

If the entrepreneur can be considered as the risk taker, combines resources in a coherent and efficient way, innovates by creating new services, products or processes, his counterpart the social entrepreneur, seems to deploy the same skills, with the exception of the ability to distribute monetary profits. Obviously, the activity of the social entrepreneur is hardly part of a public framework. But rather than invoking the failures of the state or the market to justify its existence, its entrepreneurial approach is not very different from the "classic" entrepreneur. The starting point, the trigger of the initiative, is the recognition of a collective need, whether it

concerns a social or professional group, an ethnic community or a territory. However, its action is exercised in favour of the general interest and social wealth. Through its ethical approach, its contribution to social cohesion and economic development, it adds additional value to the production of goods and services. The social entrepreneur is far from running out of steam. Current trends mean that non-profit organizations innovate and remain competitive in the development and provision of quality and cost-effective goods and services.

Another figure of the entrepreneur takes a huge boom today. It is the product of the explosion of new information and communication technologies, notably the Internet. This sector is attractive because the entry costs are low and the return on investment very high. Government is increasingly devoting resources to the new economy.

The "virtual" entrepreneur, risk-taker and very imaginative, in a "cyber-world" moving, takes the spirit that wanted (Galindo & Méndez, 2014). He is an innovator, not only a capitalist, but also an engineer of his operation, his technical director. He is most often both buyer and seller, and lawyer of current affairs. He is "the head of his office" and has the ability to lead and organize, certainly not appropriate for an entrepreneur inserted in a canvas and networks that irrigate the planet, whose focus is domiciliation. Computer is the only working tool and his person, his only employee.

Conclusion

The decade 1980 is for the renewal of entrepreneurship. Individual business accounts for almost half of the total number of business start-ups in recent years. It merges and identifies itself, temporarily or definitively, with the entrepreneur. Innovation can only come about if it

comes from an entrepreneur who takes risks and organizes his development, in short, who "undertakes".

The entrepreneur's conception has evolved over time, in parallel with the complexity of the organization and economic activity. The entrepreneur can only be genuinely understood and analysed by going beyond the basic assumptions of the neoclassical school. One must move from the rational behaviour of static equilibrium to an evolutionary representation taking into consideration the imperfection of information and the complexity of the enterprise.

Social and economic changes condition the entrepreneur's behaviours and activities. But also, through its creativity and innovation, the entrepreneur raises economic activity and challenges researchers to better grasp it. The social and economic facts of the last thirty years project him to the forefront of academic research. Returning to the heart of the concerns of the actors of the social and economic life; it is the object of a set of major questions of the theorists of various disciplines, Economy and Management in particular. It attracts attention and becomes an increasingly narrow object of analysis.

In describing the entrepreneur, research began in the 1960s to extend the theoretical framework in the field of entrepreneurship to other disciplines. The understanding of the entrepreneur and his management behaviours were initially in a simple form of conjugation of characteristics, before evolving towards typologies. It is essential to never fix the latter, and therefore to conceive them with great flexibility. The typologies, by surpassing the description of the entrepreneur in the sense of individual actor, will integrate to an increasing degree.

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