Lesson 1: Introduction to Entrepreneurship

1.1 Introduction

In this lesson we introduce the concepts and pathways into entrepreneurship and give a justification for studying entrepreneurship as a supportive course for students taking various undergraduate degree programmes. We start with key definitions of the concepts of entrepreneur and entrepreneurship and use this to show the need for different theories, perspectives or schools of thought of entrepreneurship to take care of the multiplicity of definitions looked to show that entrepreneurship may be viewed from multiple perspectives based on the theoretical perspectives or schools of thought that the student takes. These theoretical approaches will be the subject of our subsequent lectures, but only briefly so that the main purpose of the course is not missed. We stop with a brief discussion of how people enter the field of entrepreneurship by looking at the different pathways that exist and which suit entrepreneurs emerging from different backgrounds or incubator environments.

The aim of this is to enable students gain a general understanding of the role of entrepreneurship in the national economic and social development. Specially, at the end of the lesson the student should be able to:-

i) Define the terms entrepreneur and entrepreneurship in different ways;
ii) Identify the common elements in the key definitions of entrepreneur and entrepreneurship;
iii) Discuss the bases on which a particular pathway into entrepreneurship may be deemed suitable to a given individual;
iv) Explain why there are so many ways to look at entrepreneurship
v) Describe potential opportunities for entrepreneurship within their field of study

1.2 The Concepts of entrepreneur and entrepreneurship

1.2.1 Definitions of entrepreneur

Entrepreneurs are many things to many people. Following below is a sample of the definitions of the term entrepreneur(s):

- According to Webster’s New World Dictionary (1966) an entrepreneur is, “…a person who organizes and manages a business undertaking, assuming the risk for the sake of profit (Chell, Haworth and Brearly, 1991, p.3)”.
- Hull et. al (1980) have extended the Webster’s definition to include among entrepreneurs, “…individuals who purchase or inherit an existing business with the intention (and effort toward) expanding it (Chell, Haworth and Brearly, 1991, p.3)”.
- Harwood (1982) thought that an entrepreneur, “…takes initiative, assumes considerable autonomy in the organization and management of resources, shares in the asset risk, shares in an uncertain monetary profit, and innovates in more than a marginal way (Chell, Haworth and Brearly, 1991, p.3)”.
• Meredith et. al (1982) said that, “Entrepreneurs are people who have the ability to see and evaluate business opportunities, to gather the necessary resources to take advantage of them, and to initiate action to ensure success (Chell, Haworth and Brearly, 1991, p.4)”.

• Carland et al. (1984) on their part defined an entrepreneur as “…an individual who establishes and manages a business for the principal purposes of profit and growth…. and who is characterized…. by innovative behavior and will employ strategic management practices in the business (Carland and Carland, 1990, p.14).

• Jacobowitz and Vidler (1982) saw the entrepreneur as “…a person who initiates and maintains a business venture (Stanworth et. al, 1989, p.16)”.

• The International Labour Organization, ILO (1986) says that an entrepreneur is “…a person who is able to look at the environment, identify opportunities to improve the environment, marshall resources and implement action to maximize those opportunities (Chell, Haworth and Brearly, 1991, p.4)”.

• Hebert and Link (1989) concluded that an entrepreneur is … “someone who specializes in taking responsibility for and making judgemental decisions that affect the location, the form and the use of goods, resources or institutions (Chell, Haworth and Brearly, 1991, p.39)”.

1.2.2 Definitions of entrepreneurship

There are many definitions of the concept of entrepreneurship. Here below follows a sample of these definitions:-

• According to Cunningham and Lischeron (1991), “Entrepreneurship is a series of learned activities which focus on the central functions of managing a firm (p.52)”.

• Stevenson et. al (1989) see entrepreneurship as, “…the pursuit of opportunity without regard to resources currently controlled (Chell, Haworth and Brearly, 1991, p.58)”.

• Peterson (1985) says that entrepreneurship is, “…the opportunity seeking style of management that sparks innovation (Cunningham and Lischeron, 1991, p.52)”.

• “Entrepreneurship is the act of forming a new organization of value (Bateman & Snell, 1996, p.208)”.

• “Entrepreneurship is the seemingly discontinuous process of combining resources to produce new goods or services (Stoner, Freeman & Gilbert, 1995, p.160)”.

• Entrepreneurship is, “…the creation of a new enterprise (Bartol & Martin, 1998, p.672)”.

• Entrepreneurship is, “…the creation of an innovative economic organization (or network of organizations) for the purpose of gain under conditions of risk and uncertainty (Dollinger, 1995, p.7)”.

• Entrepreneurship is, “…the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence (Hisrich & Peters, 1998, p.9)”.

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• “Entrepreneurship is the process of conceptualising,organising, launching and – through innovation - nurture a business opportunity into a potentially high growth venture in a complex, unstable environment (Venter and Rwigema, 2004, p.6)”.

1.3 Multiple Perspectives in Entrepreneurship

The many definitions of the terms entrepreneur and entrepreneurship we have looked at above had some common elements and some differences. This is due to the many different perspectives from which we may view entrepreneurship. According to Hebert and Link (1989) defining entrepreneurship is much like hunting the heffalumpf. Everyone claims to have seen it, but each has a different perspective on it, raising doubts as to whether they have ever seen it. So is defining entrepreneurship, each author has a different perspective depending on the theoretical position they have taken.

Cunningham and Lischeron (1991) have classified entrepreneurship theories into six schools of thought based upon the perspectives taken by their authors. These are the Economics or Classical School, the Psychosocial School, the Management School, the Leadership School, the Intrapreneurship or Corporate Entrepreneurship School, and the Great Person School. We discuss these in detail in the chapters that follow next. There are alternative formulations of entrepreneurship theory as found in Kuratko and Hodgetts (2004), Venter and Rwigema (2004) and Jennings (1994). These authors all agree that entrepreneurship is studied from an interdisciplinary or multidisciplinary approach which enriches it, but also creates problems when ones asks what the core knowledge of entrepreneurship is and therefore what its methods of enquiry and difference with other fields or disciplines should be.

1.3 Pathways into entrepreneurship

From the above definitions it is clear that different people enter the field of entrepreneurship by following different pathways. These pathways depend on the individual’s unique circumstances, incubation environments in which they developed their entrepreneurship skills and knowledge or the opportunities that present themselves. The following is a brief discussion of the key pathways:-

1) Starting and running a new business (Carland et al., 1984 and Jacobowitz and Vidler (1982):- this is the archetypical entrepreneurial pathway. In this pathway, a person acquires motivation to start and run their own business. They then identify and evaluate opportunity, plan their business by identifying required resources and the resource controllers, seek and obtain the resources and start and manage the business for growth, development and survival for onward succession or sold for profit or as a harvest strategy before starting another business or doing something else;

2) Buying and running a business (Hull et. al, 1980):- In this pathway, a person with the required finances, may become aware of a person that wants to sell an existing business. Reasons for selling vary. Sometimes the business/person has fallen on difficult times, but its asset base is sound and given new entrepreneurial impetus, may do well. Sometimes the business has suffered many years of neglect, under-investment
or sheer lack of understanding of how to handle the new and growing challenges. Many of us are familiar with the sign, “under new management”;

3) Inheriting an existing business (with the intention and effort toward expanding it) normally form parents or close relations (Hull et. al, 1980): in this pathway, one may have grown up in an entrepreneurial family and may inherit the business upon the founder’s demise or retirement. This is often the case in parent-son/daughter succession;

4) Franchising (Venter and Rwigema, 2004): in this pathway, a person who wants to start and run a business (franchisee) obtains permission from a person who runs a business already existing (franchisor). He is allowed to use the name and obtain goods, services and systems of an existing that business for a fee and an annual subscription.

• The advantages are that:-
  1) He uses a recognized brand name and gets the market goodwill (loyal customers, interested stakeholders) that allows him to avoid the problems of start-up;
  2) Benefits from the marketing activities, programmes and expenditure of the franchisor normally at the national stage;
  3) Uses tried and tested systems and better able then to satisfy customers;

• The disadvantages are that:-
  1) He is treated as the employee of the franchisor and not an independent entrepreneur;
  2) He van not implement his own ideas;
  3) Suffers with the mistakes of the franchisor or other franchisees that makes mistakes customers get to know about;
  4) Reduces profits;
  5) Is not his own boss.

5) Management/employee buy outs/in (Venter and Rwigema, 2004):- those who have worked in a business are often the best suited to run it when the owner(s) is no longer able/ inclined to run it. They know the customers and suppliers, understand its unique opportunities, and may have had the solutions to its current problem(s) if any which were ignore/ill-implemented by the previous owner(s). As such, when they take over, they would be uniquely placed to run it for success.

1.4 Encouraging university graduates to venture into entrepreneurship
Many enterprises that started in Kenya every year fail within 1-3 years of their inception (CBS, K-REP, IECG, 1999). In addition most enterprises in Kenya, up to 97 percent, are informal or micro enterprises. While the numbers of these enterprises keep increasing, there is very little growth. In the most part they only increase in numbers (horizontal growth) and not in internal sophistication and size (vertical growth). The reasons for this is varied, but lack of skills in management and entrepreneurship, lack of market information and lack of access to enterprising resources and support have been cited as possible causes. In the context of high unemployment among the youth, some effort by government to provide start up funds and the interest in the country by foreign investors
due to innovation and widespread use of information and communication technology, chiefly mobile phone platform, entrepreneurship becomes a really viable alternative career path for young university graduates of various fields (McCormick, 1989, Ndua and Ng’ethe, 1984, Masinde, 1996, Namusonge, 1998, Onyait, 2011). It is these kind of entrepreneurs who can be trusted to start and run growth oriented enterprises capable of value addition, employment creation and innovation that will allow the country increase its export earnings and grow. This is what Vision 2030 envisages. It requires an enterprise culture in which business ownership and employment creation and not employment seeking is what most young people aim at after school (McCormick, 1989, GoK, 1992, 2005).

1.5 Conclusion

The definitions we looked at have helped us to understand that entrepreneurship is a multidisciplinary study that uses theories and concepts borrowed from diverse fields and disciplines. Each discipline has something to offer, but none is adequate to fully describe the multifaceted concept of entrepreneurship. An integrative approach enables us to appreciate the informativeness of each point of view while realizing that alternative formulations are equally valid. Equally valid is the idea that there is no one way to become an entrepreneur. Some people are thrust into it, other choose to get into it while others still become it. So through whatever way, as long as one is an entrepreneur, there will be issues of entrepreneurship to consider. This is therefore a good point to start the long journey in our study of entrepreneurship if we hope to gain a measure of mastery in the field any time soon and to be able to use it for our main or secondary career choice.

REFERENCES


DISCUSSION QUESTIONS

Q.1 Define the terms entrepreneur and entrepreneurship in at least three different ways.

Q.2 Identify at least five key ideas that seem to be common in the definitions.

Q.3 Discuss why it is impossible for us to agree on who the entrepreneur is.

Q.4 Give a justification for requiring undergraduate students whose major areas of study is not business or management to do a course in entrepreneurship.

Q.5 A friend of yours wants to get into business but is not sure how to do so. Explain to him clearly any four pathways into entrepreneurship showing him the advantage and disadvantages of using each approach.