**APPROACH TO ENTREPRENEURSHIP**

* + **INTRODUCTION**

Lecture one gave an overview of the meaning and development of Entrepreneurship and within the lecture, the characteristics of successful entrepreneurs and key myths of the concept were examined. One approach that can increase one’s understanding of entrepreneurship is through “the schools of thought approach” that divides entrepreneurship into specific activities. Lecture two discusses the approaches to Entrepreneurship and is divided into the following three schools of thoughts: Macro, Micro and Process Approaches. The Macro school of thought is further sub divided into Environmental, Financial and Displacement school of thought. The Displacement school of thought is then subdivided into Political, Economic and Cultural displacement

The Micro school of thought is divided into three schools of thought namely entrepreneurial traits school of thought, the venture opportunity and the strategic formulation school of thought. The process approaches is subdivided into entrepreneurial events approach, entrepreneurial assessment and multi dimensional approach.

* + **MACRO SCHOOL OF THOUGHT**

The following are the schools of thought as outlined by Kuratko and Hodgetts, (2007)  
The macro view of entrepreneurship outlines the factors that relate to success or failure of entrepreneurial venture. These include external processes that are sometimes beyond the control of the individual entrepreneur, for they exhibit a strong external locus of control point of view. Macro view covers three schools of entrepreneurial thought namely the environmental school of thought, the Financial/capital school of thought and the Displacement school of thought:

**2.2.1 The Environmental School of Thought**  
This school of thought deals with the external factors that affect the potential entrepreneur’s life style. These can have a negative/positive impact in moulding entrepreneurial desires. The focus is on institutions and values and when grouped together, forms a social political environmental framework that strongly influences the development of entrepreneurs.  The atmosphere of friends and relatives can influence the desire to become an entrepreneur.

**2.2.2 The Financial Capital School of Thought**  
This is based on the capital seeking process whereby, both seed and growth capital are required by an entrepreneur.  Seed capital means initial capital/investment for starting the business, whereas growth capital refers to the capital required for expansion of the business. Financial decisions occur at every major point in the venture.

**2.2.3 The Displacement School of Thought**   
This school of thought focuses on the negative side of group phenomena where someone feels “out of place” or is literally displaced from the group. It holds that the group hinders a person from advancing or eliminates certain critical factors needed for that person to advance. Due to such reasons the frustrated individual will be projected into entrepreneurial pursuit out of his or her own motivation to succeed. Individuals will not pursue a venture unless they are prevented from doing other things. Three major types of displacements illustrate this school of thought namely political, cultural and economic displacement.

***2.2.3.1* *Political Displacement***  
This is caused by factors ranging from an entire political regime that rejects free enterprise (International environment) to governmental regulations and policies that limit or redirect certain industries.   
***2.2.3.2* *Cultural Displacement***  
This deals with social groups prohibited from professional fields. Factors that figure in the minority experience include ethnic background, religion, race, and sex. This experience will turn various individuals from standard business professions towards entrepreneurial ventures.

***2.2.3.3* *Economic Displacement***  
This is concerned with economic variations of recession and depression. Job loss, capital shrinkage or simply bad times can create the foundation for entrepreneurial pursuits, just as it can affect venture development and reduction.

In general, cultural awareness, knowledge of political and public policy and economic indoctrination, will aid and improve entrepreneurial understanding under the displacement school of thought.

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| E:\studies\undergraduate\DR Ndekwa\OME 312\images2\question2.png | * Explain the Macro school of thought and distinguish between the various schools of thought under the category.      * “Children borne and brought up in families with entrepreneurial minds are likely to become good entrepreneurs”. Discuss |

**2.3   MICRO   VIEW SCHOOL OF THOUGHT**  
This examines the factors that are specific to entrepreneurship and are part of the internal locus of control. The potential entrepreneur has the ability or control to direct or adjust the outcome of each major influence in this view. It covers the entrepreneurial traits school of thought, the venture opportunity and the strategic formulation school of thought.

**2.3.1 The Entrepreneurial Traits School of Thought**  
This identifies or considers the features common to successful entrepreneurs. Factors that are usually exhibited by successful entrepreneurs include achievement, creativity, determination and technical knowledge.  
**2.3.2 The Venture Opportunity School of Thought**   
This school of thought focuses on the opportunity aspects of venture development. The search for idea sources; the development of concepts and the implementation of venture opportunities are the important interest areas for this school. Creativity and market awareness are viewed as essential. Developing the right idea at the right time for the right market niche is the key to entrepreneurial success.

Another development from this school of thought is the **corridor principle.** New opportunities or pathways will arise that lead entrepreneurs in different directions. The ability to recognize these opportunities when they arise and to implement the necessary steps for action is the key factors. The maxim that preparation meeting opportunities equals “luck” underlies this corridor principle Kuratko and Hodgetts (2007: 41)

**2.3.3 The Strategic Formulation School of Thought**   
The strategic formulation approach to entrepreneurial theory emphasizes the planning process in successful venture development. Strategic formulation is viewed as a leveraging of unique markets, unique people, unique products and unique resources.

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| E:\studies\undergraduate\DR Ndekwa\OME 312\images2\question2.png | “The time for starting a business venture is critical for its success. The right business idea at the right time, with proper planning of the venture, will ensure the survival of the business”. Discuss the statement. |

**2.4     PROCESS APPROACHES**   
Another way to examine the activities involved in entrepreneurship is through a process approach. This approach covers three elements namely the entrepreneurial events approach, entrepreneurial assessment approach and multi dimensional approach.

**2.4.1   Entrepreneurial Events Approach**  
This is a process by which individuals plan, implement and control their entrepreneurial activities.  
**2.4.2** **Entrepreneurial Assessment Approach**  
This approach stresses making assessments qualitatively, quantitatively, strategically and ethically in regard to the entrepreneur, the venture and the environment.

**2.4.3 Multidimensional Approach**  
In this view, entrepreneurship is a complex multidimensional framework that emphasizes the individual, the environment, the organization and the venture process. Specific factors that relate to each of these dimensions as outlined by Kuratko and Hodgetts  (2007: 45) include:

***2.4.3.1* *The individual***  
Consideration needs to be given to the following points:

* Need for achievement
* Locus of control
* Risk taking propensity
* Job satisfaction
* Previous work experience
* Entrepreneurial parents
* Age
* Education.

***2.4.3.2 The environment***   
This comprises a number of items as listed below:

* Venture capital availability
* Presence of experienced entrepreneurs
* Technically skilled labour force
* Accessibility of suppliers
* Accessibility of customers or new markets
* Governmental influences
* Proximity of universities
* Availability of land or facilities
* Accessibility of transportation
* Attitude of the area population
* Availability of supporting services
* Living conditions

***2.4.3.3 The organization***  
This will cover a number of issues.

* Type of firm
* Entrepreneurial environment
* Partners
* Strategic variables – Cost, Differentiation and focus
* Competitive entry and exit barriers

***2.4.3.4 The process***

* Locating a business opportunity
* Accumulating resources
* Marketing products and services
* Producing the product
* Building an organization
* Responding to government and society

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|  | the entrepreneur, and the environment; and finally the multi dimensional approach which examined the individual entrepreneur,  the environment, the organization and the whole process of entrepreneurship.  The approaches have helped to broaden the understanding of the concept of entrepreneurship. |

**EXERCISES**

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| E:\studies\undergraduate\DR Ndekwa\OME 312\images2\activity_icon.png | (1)  Discuss the process approaches school of thought and the way they help to broaden your understanding of the concept of entrepreneurship (2)  How do the process schools of thought differ from the macro school of thought? |