

## LECTURE SESSION TWO

### THEORIES AND PERSPECTIVES OF ENTREPRENEURSHIP

#### Lecture Outline

- 1.1 Introduction
- 1.2 Learning Outcomes
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- 1.4 Modern Perspective of Entrepreneurship Theories
- 1.5 Theories/School of Entrepreneurship
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#### 1.1 Introduction

Welcome to this second lecture in Entrepreneurship skills. In this lecture, we shall introduce the theoretical development of Entrepreneurship, Modern Perspective of Entrepreneurship theories and Theories/Schools of entrepreneurship.



#### 1.2 Learning Outcomes

1. At the end of this lecture, you should be able to: Describe the nine theories behind the development of entrepreneurship.
2. Explain the three perspectives of entrepreneurship theories.

### 1.3 Theoretical development of Entrepreneurship.

Let us start our discussion by asking ourselves this question.



**In text Question 1: Explain what is a theory?**

Well done. I believe you have said that A theory is an array of logically interrelated propositions that purport to describe a set of phenomena. The only test of a theory is the success of its prediction. Prediction and explanation are two sides of the theory. Various scholars' contribution to the development of theories of entrepreneurship include:

- a) Adam Smith (1776) – An entrepreneur is a person who acts as agent in transforming demand into supply.
- b) Jean Baptiste Say (1803) – An entrepreneur is a person who shifts resources from an area of low productivity to higher productivity.
- c) John Stuart Mill (1848) – An entrepreneur is a prime mover in the private enterprise. The entrepreneur is the fourth factor of production. Others include land, labor and capital.
- d) Carl Menger (1871) – The entrepreneur acts as an economic agent who transforms resources into products and services. These transformation processes give added value to the output.
- e) Joseph Aloysius Schumpeter (1934) – The entrepreneur is an innovator. The economy moves through leaps and bounds because of the innovations. This process is known as “creative destruction”
- f) Alfred Marshall (1936) – The process of entrepreneurship development is evolutionary. The entrepreneur is responsible for the evolution of sole proprietorships into a public company.

- g) David C. McClelland (1961) – The entrepreneur is a person with a high need for achievement is the foundation of the entrepreneurship process.



#### **Take Note**

These are **Classical** definitions. The years could be old. But these are the authors who came up with the original theories, and we are here appreciating them.

Having looked at the theoretical development of Entrepreneurship, we shall now turn our attention to discuss Modern Perspective of Entrepreneurship Theories.

## **1.4 MODERN PERSPECTIVE OF ENTREPRENEURSHIP**

### **1.1.1 Macro View: External Locus of Control**

- a) **The Environmental School of Thought:** Considers the external factors that affect a potential entrepreneur's lifestyle.
- b) **The Financial/Capital School of Thought:** Based on the capital-seeking process – the search for seed and growth capital.
- c) **The Displacement School of Thought:** Alienation drives entrepreneurial pursuits. These alienations include:
  - Political displacement (laws, policies, and regulations)
  - Cultural displacement (preclusion of social groups)
  - Economic displacement (economic variations)

### **1.1.2 Micro View: Internal Locus of Control**



Depicting Micro view of the situation

- a) **The Entrepreneurial Trait School of Thought:** Focuses on identifying traits common to successful entrepreneurs. Achievement, creativity, determination, and technical knowledge.
- b) **The Venture Opportunity School of Thoughts:** Focus on the opportunity aspect of venture development – the search for idea sources, the development of concepts, and the implementation of venture opportunities.

**Corridor principle:** new pathways or opportunities will arise that lead entrepreneurs in different directions.

- c) **The Strategic Formation School of Thought:** Emphasizes the planning process in successful venture development. Strategic formulation is a leveraging of unique elements:

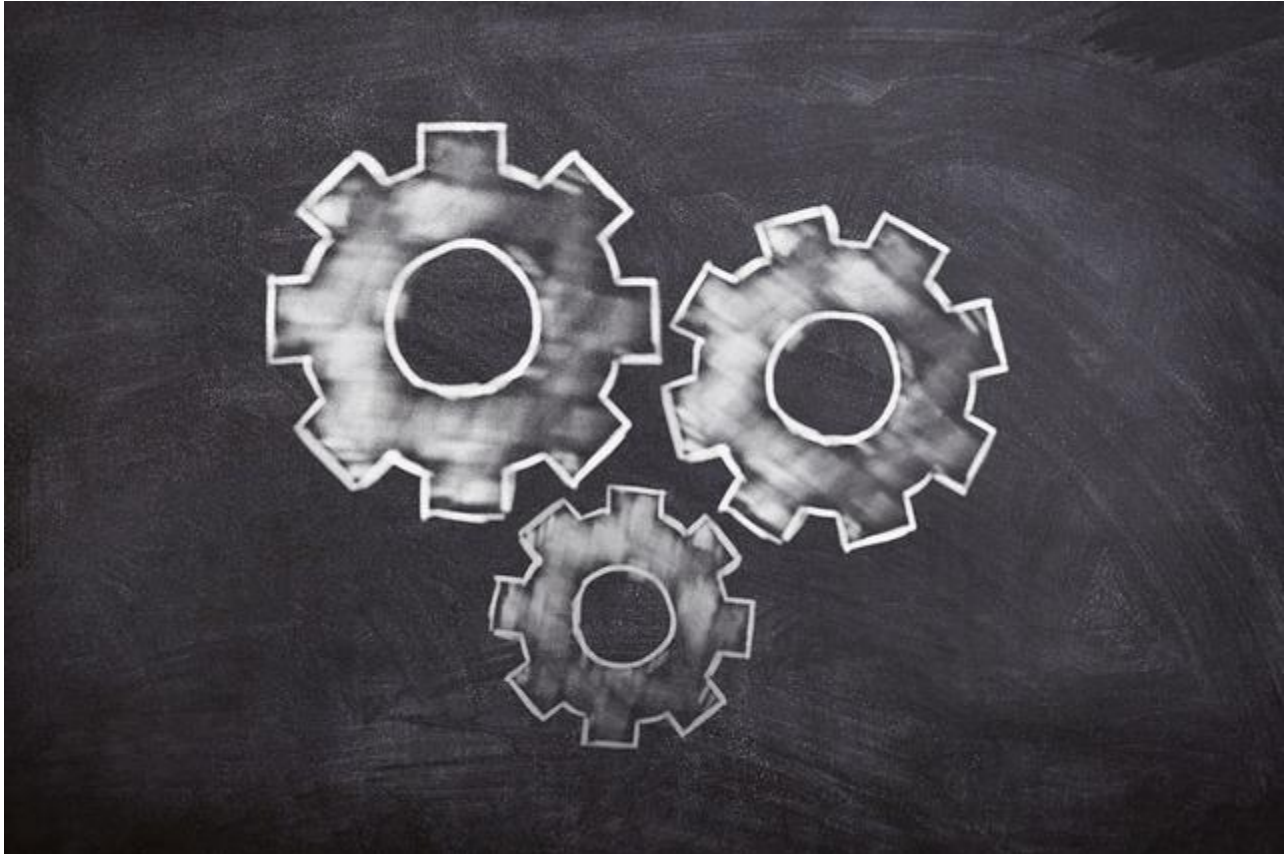
Unique Markets – mountain gap strategies

Unique People – great chef strategies

Unique Products – better widget strategies

Unique Resources – water well strategies.

### **1.1.3 Process Approach**



**From one Process to another!!**

*a) An Integrative Approach*

Built around the concepts of inputs to the entrepreneurial process and outcomes from the entrepreneurial process.

Focuses on the entrepreneurial process itself and identifies five key elements that contribute to the process.

Provides a comprehensive picture regarding the nature of entrepreneurship that can be applied at different levels.

*b) Dynamic States Approach:* Stresses dependency of venture on environment and the Interaction of:

- i) The dominant logic of the firm
- ii) The business models
- iii) Value creation

#### 1.1.4 Framework of Framework Approach



#### **Falcon Approach Prey: To Depict Different Approaches Used Here**

Works of Donald Kuratko, Michael Morris and MinetSchindehutte

Schools of thoughts and the process approaches that exist in entrepreneurship are based on phenomenon that incorporate many diverse and heterogeneous dimensions that only a comprehensive framework approach might afford researchers the capacity to explore and expand the knowledge base.

#### 1. School of thought Framework

- a. Environment school of thought (a, b, and c – Macro level school of thought)
- b. Financial/Capital school of thought (d, e, and f- Micro level school of thought)
- c. Displacement school of thought
- d. Entrepreneurial trait school of thought

- e. Venture opportunity school of thought
  - f. Strategic formulation school of thought
2. Integrative framework
- Entrepreneurial process
- a. Environment
  - b. Entrepreneur
  - c. Resources
  - d. Concepts
  - e. Content
3. Typology of Entrepreneurs Framework
- Behavioral
- a. Psychological Characteristics
- Decision Process
- a. Cognition



- b. Meta Cognition
  - c. Cognitive adaptability
- 4. Process Framework
  - a. Integrative models
  - b. Assessment models
  - c. Dynamic models
- 5. Venture Typology Frameworks
  - Size
    - a. Micro enterprise
    - b. Small enterprise
    - c. Medium enterprise
    - d. Large Enterprise
  - Growth Rate
    - a. Lifestyle
    - b. Medium growth
    - c. Fast growth (Gazelle)
- 6. Life Cycle Frameworks
  - Stages/Risk Levels
    - a. Idea development
    - b. Venture startup
    - c. Venture growth
    - d. Venture maturity
    - e. Venture harvest

We have discussed the characteristics of scientific research. We shall now shift our attention and ask ourselves the following question



### Activity

Discuss FOUR scholars who contribute to the development of entrepreneurship theories?

Well done. You have been able to discuss some scholars who contribute to the development of entrepreneurship theories. This leads us to our last subsection in this lecture on Theories/School of Entrepreneurship.

## 1.5 THEORIES/SCHOOLS OF ENTREPRENEURSHIP



### **Books man Person: Knowledge helps come up with theories**

- Entrepreneur traits, creativity, innovation, business planning and growth management are five of the main concepts of entrepreneurship. Many authors have published lists of characteristics common to entrepreneurs, but others suggest that previous experiences are more important.

- Entrepreneurial creativity requires a paradigm shift and there are many techniques available to help the entrepreneur to see things in a different perspective, to come up with new ideas.
- Innovation involves implementing newly created ideas. The innovation process can be categorized into four basic types, suggests Kuratko and Hodgetts (2004). These are: invention, extension, duplication and synthesis.
- Novel products or services are 'inventions', and the application of a current concept to a different application is an "extension" An improvement to an already existing concept is 'duplication' and forming a new application from existing concepts is syntheses.
- Strategic planning is used to assess the entrepreneur's position in external/internal environments, identify key success factors/competencies and to implement a strategy.

- Finally, the issue of growth management requires the entrepreneur to settle on what size of company he is happy with, how much direct control is afforded to him and how entrepreneurial spirit can be retained in a growing business.
- Many authors have published lists of characteristics that they consider to be displayed by entrepreneurs. Cunningham and Lischeron (1991) have grouped these contributions into six schools of thought. These schools are:
  - a) Great person – Born entrepreneurs, for example Fords, Rockefeller, Trump, Bill Gates, Vimal Shah etc.
  - b) Psychological – Entrepreneurial personality, behavior developed over time.
  - c) Classical – Entrepreneurial key factors are innovation and creativity.
  - d) Management – Entrepreneurs can be developed or trained in the classroom.
  - e) Leadership – Attract people to support a vision and transform it into reality.
  - f) Intrapreneurship – Encouraging people to work in semi-autonomous units.
- However, much criticism is leveled at these theories because many of the characteristics are not unique to entrepreneurs and can be found in successful managers and executives. Liles (1974:43) proposes that *“certain kinds of experiences and situational conditions – rather than personality or ego – are the major determinants of whether or not an individual becomes an entrepreneur”* and Bailey (2003) questions whether entrepreneurs possess different characteristics or whether they are merely products of unique situational factors.
- This view is also supported by O’Neile (1989), who affirms that the entrepreneur is a “product of historical and environmental circumstances.” The choice to become an entrepreneur must be influenced by events that led to the decision, claims Brockhaus and Horwitz (1986). They suggest that previous experience has an effect. These previous experiences could be positive, such as role models and education, or they could be negative displacements. Refugees and migrants may choose entrepreneurship if gaining employment is difficult. Job dissatisfaction or job loss may be other stimuli to select entrepreneurship.

- Although an agreed upon definition may serve to unite the field, research activity seems to fall within six schools of thought, each with its own underlying set of beliefs. Each of these schools can be categorized according to its interest in studying personal characteristics, opportunities, management or the need for adapting an existing venture.
- The schools of thought are:



Man Think Young: Helps come up with Ideas on different schools of thought

- (i) Assembling Personal Qualities

- a) The “great person” school of entrepreneurship
- b) The psychology characteristics school of entrepreneurship
- (ii) Recognizing Opportunities
  - c) The classical school of entrepreneurship
- (iii) Acting and Managing
  - d) The management school of entrepreneurship
  - e) The leadership school of entrepreneurship
- (iv) Reassessing and Adopting
  - f) The Intrapreneurship school of entrepreneurship

#### **1.1.5 The “Great Person” School of Entrepreneurship**

- Are entrepreneurs born, or are they made? Does the individual come into this world carrying the genes or the inborn natural capacity to perform their activities?
- Biographies frequently identify the initiative ability of the great people to recognize an opportunity and make the appropriate decision. They imply that without this in born faculty for instruction, the individual would be like rest of us mortals who lack the instinct which fragrances will sell and which will not.
- They respond more to their instinct, feeling and intuition the successful entrepreneur is also described as having strong derives for independence and success, with high levels of vigour, persistence, has an exceptional belief in himself and his abilities.

- Attention is paid to such traits as energy, perseverance, vision and single-mindedness or such abilities as being inspirational or motivational. Other traits frequently mentioned include physical attractiveness, popularity and intelligence of speech, track, diplomacy and decisiveness.

#### 1.1.6 Psychological School

- This psychological school focuses on personality factors, beliefs that entrepreneurs have unique values and attitudes towards work and life. These along with certain dominant needs, propel the individual to behave in certain ways.
- People who possess the same characteristics as entrepreneurs do/will have a higher tendency to perform entrepreneurs' acts, than do people who do not exhibit such characteristics.
- Three personality characteristics have received considerable attention in research. These are:
  - a) **Personal/Values System:** An entrepreneur should be honest and upright, have a sense responsibility and duty to other people, ethical, incorruptible, scrupulous, dependable and conscientious. This school generally believes that entrepreneurs cannot be developed or trained in classroom situation. Much of the entrepreneurs' ability relates to a personality or style of behavior, which develops over time primarily through relationships with parents and teachers early in life. Values are learned and internalized and reflect the process of socialization into a culture. Personal values are basic to the way an individual behaves and will be expressed regardless of the situation.
  - b) **Risk-Taking Propensity:** John Stuart Mill, introducing the term entrepreneurship to the field of economics, suggested that risk bearing is the key factor in distinguishing entrepreneur from managers. An entrepreneur prefers to take moderate risks in where they have some degree of control or skill in realizing profits, they do not prefer situations which involve either extremes of risk or certainty. McClelland

(1961). The classical school pointed distinguished entrepreneurial activity from management activity of insisting that one is no longer an entrepreneur once the innovative/creative activity is not completed.

c) **Need for achievement:** industriousness and the need for achievement are specific values broadly held by many individuals in certain cultures.

- In summary the psychological school of entrepreneurship believes that certain individual values and needs are the necessary preconditions for entrepreneurship. Since these values are learned early in life and well established prior to adulthood, entrepreneurial characteristics are hard to inculcate in university and schools. The characteristics, which have received a great deal of attention, include locus of control, risk taking and tolerance of ambiguity.

### 1.1.7 Capitalism School

- Theory of Capitalism holds that some cultures achieve more than others because of the values of their people. The development of capitalism and entrepreneurial drive are largely due to the cultural values, which are dominant in certain countries.
- Protestant values encourage the need for achievement since a person's life is to be judged by his or her accomplishments, McClelland (1961) held the belief that entrepreneur might have a distinctly higher-need for achievement (a desire to do well for the sake of an inner feeling of personal achievement). Individuals who exhibit a higher-need for achievement tend to:
  - (i) Prefer activity to passivity
  - (ii) Seek prompt and concrete feedback on their performance
  - (iii) Set goals that is intermediate
  - (iv) Take calculated risks to maximize their chances of success
  - (v) Defer gratification
  - (vi) View people as means rather than ends



(vii) Tend to become pre-occupied with uncompleted tasks.

- However, the need for achievement, isolated from other variables may be a weak prediction of an individual's tendency to start business. Having such a need and finding oneself blocked and frustrated by the bureaucracy of large organization provides the conditions, according to this school, to propel the individual into entrepreneurship venture.

### 1.1.8 Sociology School

- Weber (1904-1920) came up with two schools i.e., charisma and protestant (work) ethic. Charismatic leader is constrained neither by tradition nor law and that his/her appeal is the very fact that he/she undertakes to break the constraints imposed by established customs and roles in order to bring about change. Charismatic leader is therefore, seen as an innovator whom, others want to follow. However, in the Capitalist exchange economies the influence of 'charismatic' leader is somewhat constrained as change is due to the activities of enterprise and their pursuit of profit in the market.
- In protestant (work) ethic he identified the positive change that took place in public attitudes towards entrepreneurship after reformation in the western world proposed that Protestantism that helped in bringing up diligence in working. Protestants were perceived to be more entrepreneurial than other religions.
- Calvinists became noted for their moralists' dedication to work and their willingness to deny immediate gratifications in order to invest effort and wealth in the long-term improvement of their worldly condition. These attitudes made protestant Europe the locus for the modern capitalist economy and once such attitude had become accepted not only did it become legitimate to make money, but society became imbued with a new, more disciplined and methodical approach to world. For example, European Member of Parliament Sir Fredrick Cather believed that it was the duty of the Christian to use his/her abilities to the limit of his/her physical and

mental ability. He/she cannot relax as soon as a duty to train and develop abilities. When he/she has mastered one job he/she should not content to administer but should try to improve and renovate what went wrong. He should not stop until it is quite clear he has reached his ceiling.

- Weber also addressed the concept of Bureaucracy as becoming more prevailing both, within the firm, the state as society. Because the entrepreneur is used to assuming responsibility and making his own decisions, he is not prepared to obey orders or follow procedures. Hence, he/she is the only person who can check the progress of bureaucracy, which he considered as considerable apprehension.
- Lipset (2000) – culture values affect entrepreneurship and economic development. Used North and Latin American cultures – entrepreneurship is influenced by early Bevilacqua culture that downgraded manual labour commences and industry. Whereas North American is influenced more by the protestant ethic of post-reformation Europe with its puritan values and emphasis on work and money making as a vocation in God's honour. Thus, a scholarly humanities education and landed property became the mark of success in Latin America.
- Prosperity for entrepreneurship in the different sectors of the society, Merton (1968) is an event that link between entrepreneurship and crime. It's argued that in those societies where there is a strong emphasis on economic success and few means through which the average person can achieve it, there is often an increase in deviancy and crime.

#### **1.1.9 The Classical School of Entrepreneurship/Economics School**

- Economic contribution made before the latter part of the nineteenth Century. It was referred to as "Political economy", rather than straight economics. Several approaches can be identified, and these can be categorized according to country of origin.
  - a) The American School

- Work of Amasa Walker (1799-1875): Role of the Entrepreneurs – creator of wealth. His son Francis A Walker (1840-97) Successful entrepreneurs has foresight, a facility for organization and administration, energy and leadership qualities. He identified 4 types of entrepreneurs.
  - The rare, gifted person – has foresight, is firm and resolute and is able to motivate and lead others.
  - High ordered talent – have a natural mastery, are wise, prompt and resolute.
  - Those that do reasonably well in business are diligent rather than people with genius and flair.
  - The never do well – those who have misidentified their vocation.
- Profit is the return to the entrepreneur for his/her skill, ability or talent. Hawley (1843-1929) profit is reward to entrepreneur for assuming risks and as a result of his work, the concepts of risk and uncertainty attracted considerable attention.
- All business transitions are carried out in a condition of uncertainty and people who engage in business are, therefore, entrepreneurs.

#### **b) The Australian School**

- Carl Menger (1840-1921) in his works suggested that entrepreneurial activity is about obtaining information activity in order to make decisions that give rise to economic change.
- Entrepreneur faces uncertainty with regard to the quantity and quality of the goods to be produced. Risks' bearing is not an essential function of the entrepreneur.

#### **c) The British School**

- Adam Smith (1723-1790) and David Ricardo (1772-1823) combined the function of the entrepreneur with that of the capitalist. Profits were regarded as the

reward for risking capital not for anticipating the future and directing the business accordingly.

- Entrepreneurs invested in their own business according to the demand for their product and were rewarded for their products, which were rewarded accordingly.
- Jeremy Bentham (1748-1832) proposed the concept of laissez faire, arguing that there are three key factors that impinge on production.
  - a. Inclination, (the will to produce wealth),
  - b. Technical knowledge (the knowledge of how to produce wealth)
  - c. Capital power (the ability to produce wealth)
- Argued that governments could do little through legislation to affect these 3 factors thereby advocating the laissez-faire approach.

#### **d) The French School**

- This school derived the term “entrepreneur” which came from the word “*Enterprendre*” meaning, “to undertake” someone who undertakes to make things happen and does them.
- Richard Cantillon, one of the main contributors to this school, suggested that the entrepreneur engages in exchange for profit and is someone who exercises business judgement in the face of uncertainty. Distinguished between the capitalist and entrepreneur. Entrepreneur was a risk taker unable to calculate the risks involved in making decisions but not an innovator in that he was expected to estimate demand but not to create it.
- Baudeau (1730-1792) – Entrepreneur is innovator i.e., he/she invests and applies new techniques in order to reduce costs and raise profits to achieve this; he recognized that certain qualities – ability and intelligence – are needed.
- Jean Baptiste Say (1767-1832) Entrepreneur is a manager who is required to estimate or forecast demand and managers factors of production take risks (risk taker).

#### **e) The German School**

- This school concentrated on how an entrepreneur is compensated. Thunen (1785-1850) – Distinguished between the return to the entrepreneur and the return to the capitalists by emphasizing a residual, which risk. Distinguished between a manager and entrepreneur. Entrepreneur takes the problems of the firm home and is both a risk taker and innovator. His/her return is thus the reward for uninsurable risks taking and entrepreneurial ingenuity as problem solver and innovator.
- Magoldt (1824-1868) developed the issue of risk by distinguishing between producing goods to order or for market. This enables an entrepreneur to focus on the nature of production and the degree of risk. Where goods are produced to order clearly the risk entailed is reduced. He also suggested that the longer the time to sale the greater the uncertainty, implying that the entrepreneurialism was enhanced.
- Innovation, creativity or discoveries are the key underlying the classical body of thought and research. Entrepreneurship in this view refers to the process of creating an opportunity or “the opportunity seeking style of management that sparks innovation”.
- For Peter Drucker the Classical school should be guided by marketing and innovation that enables creation of goods and services which links an organization to its customers.
  - (i) Creativity – ability and power to develop new ideas
  - (ii) Innovation – use of new ideas to develop new products and services.

#### **1.1.10 The Management School**

- The management school suggests that an entrepreneur is a person who organizes or manages a business undertaking, assuming the risk for the sake of profit.
- This school holds that entrepreneurship consists of management roles and functions namely; planning, organizing, staffing, and budgeting, coordinating and controlling.

The management school further avers that management is the fourth factor of production.

- Mintzberg (1975) clustered management roles into three:
  - a) Interpersonal roles
  - b) Informational roles
  - c) Decisional roles – acts as an entrepreneur because he launches new ideas.
- John Stuart Mills (1848), in describing the entrepreneur noted that in addition to risk taking, the functions of an entrepreneur include supervision, controlling and providing direction to a firm in addition to risk taking. Holds that an entrepreneur deals with functions, which relate to start-up, strategizing, developing the solid business plan, getting started, and managing development and growth of the firm.
- According to Robert (1987) a firm will grow from entrepreneurial to professional management. He averred that the business would fail, if this transition from entrepreneurial to professional management is not affected.
- This management school deals with the technical aspects of management and seems to be based on the belief that an entrepreneur can be developed or trained in the classroom.
- According to this school, entrepreneurship is a series of learned activities, which focus on the central functions of managing a firm. The management school is directed at improving a person's management capability through developing his or her rational, analytic, as well as cause – effect orientation, since according to this school, entrepreneurship can be taught. Therefore, a central aim is to identify the specific functions involved and provide training to existing and potential entrepreneurs.

**a) Business Planning School**

- Entrepreneurs are repeatedly monitoring windows of opportunity. These windows are continuously opening and closing, and strategic planning is required to assess if the opportunity is worthwhile for the entrepreneur and how it should be successfully exploited.

- Whilst strategic planning is essential to ensure successful operation, it is a particularly useful tool when the entrepreneur's business is growing, it serves a niche market or business performance is improving.

b) Design School Model

- There are many schools of strategic management thought available to the entrepreneur and Mintzberg (1990:112) illustrates the Design School Model.
- The Design School Model can be described as having eleven components:
  - i. **External appraisal** – An examination of the external elements influences the entrepreneur's strategy options. This involves investigating customers, competitors, market and the environment. Where the environment is political, economic, society, technology and ecology considerations.
  - ii. **Threats and opportunities in the environment** – The external appraisal reveal the opportunities that the entrepreneur can exploit and the threats he faces. Opportunities are regarded as positive trends and threats are negative trends.
  - iii. **Key success factors** – Key success factors are competitive assets or competences that the entrepreneur needs to compete successfully in his chosen industry. An absence of strategic necessities is a weakness and possession of strategic strengths will give advantage to the entrepreneur.
  - iv. **Internal appraisal** – An examination of the skills of the entrepreneur's employees, resources, innovations and financial position discloses how the business is constrained by its capabilities and resources.
  - v. **Strengths and weaknesses of the organizations** – Any activities that the entrepreneur does well are identified as strengths from the internal appraisal. Any lack of resources or activities that the entrepreneur does not do well is identified as weaknesses.
  - vi. **Distinctive competencies or assets** – distinctive competencies are the activities that the entrepreneur does exceptionally well.

- vii. **Social responsibility** – Social responsibility is the entrepreneur's obligation, beyond that required by the law and economics, to pursue long-term goals that are good for society.
- viii. **Managerial values** – This describes how the entrepreneur's managers establish, promote and practice the business values. The building of team spirit, influencing marketing efforts, shaping of employee behaviour and guidance for manager's decisions and actions are examples of the main purposes of managerial values.
- ix. **Creation of strategy** – Strategic alternative strategies need to be developed by the entrepreneur for evaluation. These strategies should take advantage of environmental opportunities and exploit the company's strengths.
- x. **Evaluation and choice of strategy** – Some of the criteria used for selection of a strategy from alternatives are scenario consideration, sustainable competitive advantage pursuit, organizational vision and objective consistency, feasibility and the relationship to the other strategies of the entrepreneur.
- xi. **Implementation of strategy** – For the entrepreneur to succeed the chosen strategy must be implemented and this involves converting strategic alternatives into an operating plan. Implement the strategic plan. The final stage of business planning is to actually implement the strategic plan and four approaches are suggested. Strengths and weaknesses can be identified on a year-to-year basis in an opportunity management approach. Activities can be carried out sequentially in a milestone planning approach with achievable goals along the way. Expert theory can be used in a strategic model approach, which states how the plan should be prepared and executed. Significant variables, venture phase and the entrepreneur's growth preferences can be applied to a contingency model.



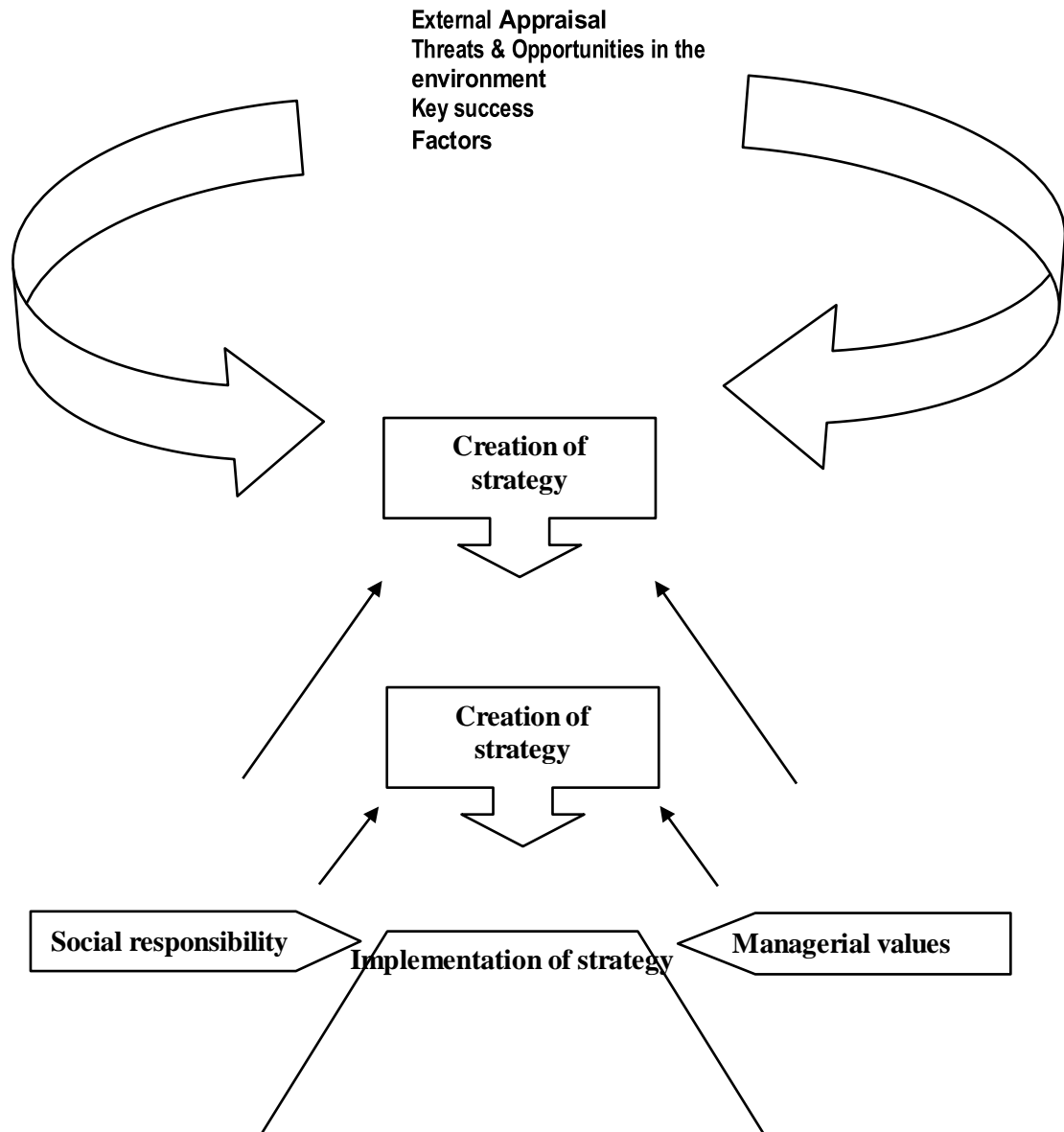


Fig. 1.1: Mintzberg's (1990:112) Design School Model

### 1.1.11 The Leadership School

- An entrepreneur is often a leader who relies on people to accomplish purposes and objectives. The leadership school suggest that entrepreneurs need to be skilled in appealing to others to join the cause, A successful entrepreneur must also be a people manager or an effective leader/mentor who plays a major role in motivating, directing and leading people.
- Thus, the entrepreneur must be a leader able to define a vision of what is possible and attract people to rally around that vision and transform it into reality.
- This school describes a leader on the social architect or as one that is primarily an expert in the promotion and protection of values. The school implies that leaders must be effective in developing and monitoring people.

#### **1.1.12 The Intrapreneurship School**

- The Intrapreneurship School evolved in response to the lack of innovativeness and competitiveness within an organization. Gifford Pinchot first used the term intrapreneurship in 1985. He distinguished an entrepreneur from intrapreneur. According to him, Entrepreneur – independent businessman. Intrapreneur – operating within a bureaucratic system.
  - a) Small businesses are very innovative, so as to be able to survive in the market.
  - b) Discovery – something is identified to be there but is not known to exist.
  - c) Invention – use of discovery to develop something new. One is not capable of making profits out of it.
  - d) Innovation – commercialization of an invention.
- Intrapreneurship emerged due to lack of innovativeness and competitiveness of the big firms in the US. Intrapreneurs possesses independent discretion for action. They need to feel that they can implement their ideas within the organization without being rejected or penalized. Intrapreneurs are alert to opportunities within their environment. Hence Intrapreneurs are able to extend the organization's dominance and discover new opportunities. Nielsen *et al* (1985) avers that

Intrapreneurship involves the development of independent units designed to create markets and expand innovative services and products within an organization.

- Three Factors that make Intrapreneurship to succeed according to Drucker (1985) are:
  - (i) Personal restlessness with the status quo.
  - (ii) Responding to change as an opportunity and not as a threat.
  - (iii) Being task – result oriented.
- Knight (1988) holds that Intrapreneurship is difficult because some of its assumptions are always in conflict with the organizational operations. This is so because Intrapreneurs want to go beyond their mandate. Hence, Intrapreneurship is a steam entrepreneurship.
  - i) Ideas generation
  - ii) Championing – market the idea to top management's
  - iii) Project manager
  - iv) Sponsoring/coaching – getting right skills/resources for use.
  - v) Gate keeping (watchman and secretary) – control flow of information in and out of the organization.
- Alternative factors that make an intrapreneur to succeed:
  - i) Sponsor
  - ii) Champion
  - iii) Mentor (coach)
  - iv) Critic (devil's advocate) – makes you crosscheck and make contingency measures
  - v) Institutional leader – to link you up with the top management
- Intrapreneurs are able to act as entrepreneurs and implement their ideas without themselves becoming owners. Alertness to opportunity is one dimension of intrapreneurial activity.
- Intrapreneurs involves the development of independent units designed to create market, and expand innovative services, technologist etc.

- Intrapreneurial school generally assumed that innovation can be achieved in existing organization by encouraging people to work as entrepreneurs in senior autonomous units.

### 1.1.13 Anthropology School

- Barth (1963) – Entrepreneurship is about connecting two spheres in society between which there exists a difference in value and transferring value between them. Theory places emphasis on entrepreneurship as opportunity recognition and stresses that it may involve challenging some of the basic values in a community.
- The theory is used by the western world in stressing that entrepreneurship practices that exist in their countries can be taught in less developed countries. Within this school the pull and push factors have been credited with source of entrepreneurship practice within some societies.



### 1.6 Summary

We have come to the end of lecture one. This lecture laid the background for this unit course by explaining theoretical development of Entrepreneurship, Modern Perspectives of Entrepreneurship theories and The Theories/Schools of Entrepreneurship from different scholars and continents. We have said that a theory is an array of logically interrelated propositions that purport to describe a set of phenomena. We also said we have macro and micro views of modern perspectives of Entrepreneurship theories.



### **1.7 Review Activity**

1. Discuss at LEAST TEN theories of Entrepreneurship?



### **1.8 References and Further Reading**

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