

## **THEORIES OF ENTREPRENEURSHIP**

The term entrepreneur was applied to business initially by the French economist Cantillon in 18<sup>th</sup> century. J.B SAY- expanded Cantillon ideas and conceptualized the entrepreneur as an organizer of business firm. Economist sociologist and psychologist have expressed their views on entrepreneur and they used the operations and behavior of entrepreneurs.

There are three theories on entrepreneur namely:

1. Economic theory
2. Sociology theory
3. Psychological theory

### **ECONOMIC THEORY**

Economist believe that economic growth takes place in situation/ activity (ies) given from to the wishes of the society. It's the function of an entrepreneur to rationally combine the forces of production into a new producing organization. J.S.Mill viewed superintendence, control and direction as entrepreneur functions. Superintendence involves assembling the means to supervise the work and to turn out maximum output at the minimum cost. Control means controlling the flow of goods, use of finance, utilization of machinery and the activities of the subordinate.

An entrepreneur is expected to constantly direct the organization to achieve the desired goals. Organizations' building capacity is the most critical skill expected of an entrepreneur who is responsible in combining with the function of risk bearing, innovation and management. Kirzener viewed the entrepreneur as a dis-equilibrating force with a tendency of ever circular flow of equilibrium. Entrepreneur connects different markets, close gaps in markets and introduce inputs to the business that transforms enterprises. Economic incentives are the main drive for the entrepreneurial activities. The person's inner drive is associated with economic gains. The gains are regarded as sufficient conditions for the emergence of industrial entrepreneurship. The economic incentives include taxation policy, industrial policy of the government, demand and supply, infrastructural facilities, availability of raw materials among others.

It's imperative to note that entrepreneur development in a particular country largely depends upon the economic policy programme and economic environment of that country.

### **THE SOCIOLOGICAL THEORY**

Sociologists believe that entrepreneurship emerges from social culture. Social sanctions, cultural values and role expectations are responsible for the emergence of entrepreneurship. Society's values are the most important determinant of the attitudes and role expectations. Sociologists consider the entrepreneur as a role performer corresponding to the role expected by the society.

Wishes of the society are shown through customs and taboos, rewards and restraints, nationalistic attitude and patriotism. A scholar – J.Kunkeil, avers that entrepreneur behavior is a function of surrounding social structure, both past and present and can be readily influenced by manipulatable economic and social incentives. Globally, entrepreneurs have emerged from a particular social economic class. The construction of railway line from Mombasa to Nairobi in early 1900, brought about entrepreneurial activities by Indians who were migrants. Marwari's and Parsis in India are considered to be dormant social class with a flare for entrepreneurship.

### **PSYCHOLOGICAL THEORY**

Joseph Schumpeter viewed entrepreneur as a creative person who innovates and has a different view of resources from the general public. Innovation involves problem solving and the entrepreneur is a problem solver. Schumpeter believed that innovation can occur in any of the following forms:

1. Introduction of a new product or new quality of an existing product.
2. Introduction of a new method of production.
3. Conquest of a new source of supply of raw materials or semi manufactured goods.

Schumpeter's views are relevant particularly to developing countries where resources are limited and innovations need to be encouraged. The transformation of an agrarian economy into an industrial economy requires a great deal of initiative on the part of business as well as managers.

Individuals with high achievement motive tend to take keen interest in situation of high risk, desire for responsibility and a concrete measure to task performance. Hager's considers withdrawal of status respect as the trigger mechanism for change in personality formation. Status withdrawal is

the perception on the part of the members of some social group that their purposes and values in life are not respected by the groups in the society who they respect and whose esteem they value.

Withdrawal can be caused by displacement by force in a society, inconsistency of status symbol with a changing distribution of economic power and non acceptance of expected status or migration to a new city.

### **IMPORTANCE OF THEORIES OF ENTREPRENEUR.**

1. The theories explain the rational and concept of entrepreneurship. Theories advanced by Joseph Schumpeter, Hagen's, J.B Mills and others explain how entrepreneurs emerge from the general population.
2. The theories bring out various approaches and perceptions held by entrepreneurs.
3. Encourages creativity and innovation -entrepreneurs are change agents. The change in economy as a society is derived from creative mind which in turn convert inputs to relevant outputs that society benefits from.
4. Economic prosperity: Theories relate and categorize entrepreneurs in accordance to their functions and resources which enables scholars to generalize activities of entrepreneurs. This enables scholars and also entrepreneurs to position themselves in order to utilize the unique and scarce resources and thereby contribute to economic development.
5. Contribution to GDP: entrepreneurial activities contribute immensely to the Gross Domestic Product through disrupting dormant economic resources. New ideas from entrepreneurs prompt utilization of resources which in turn attract more consumers to the product.
6. Helps to understand entrepreneurship behavior exhibited by different entrepreneurs and it is useful in averting business failure.
7. Enhances standard of living.