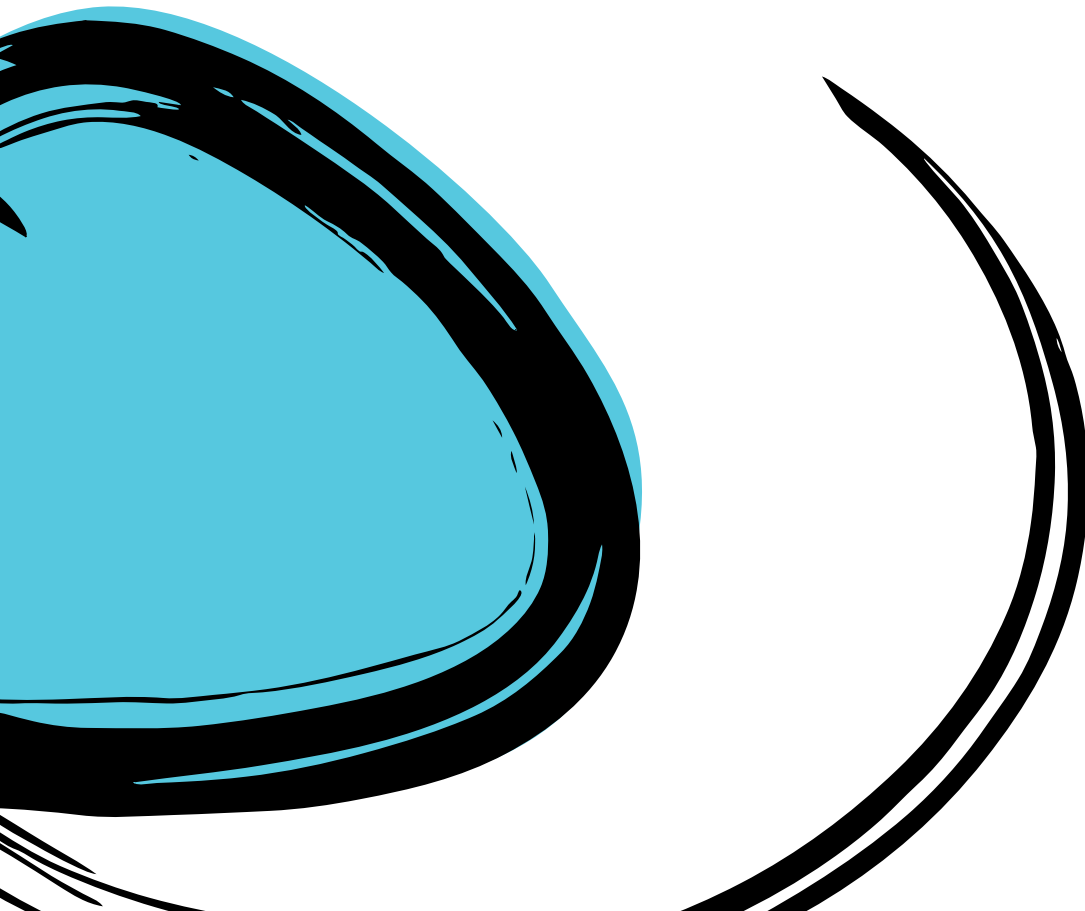




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CENTRE FOR ENTERPRISE AND  
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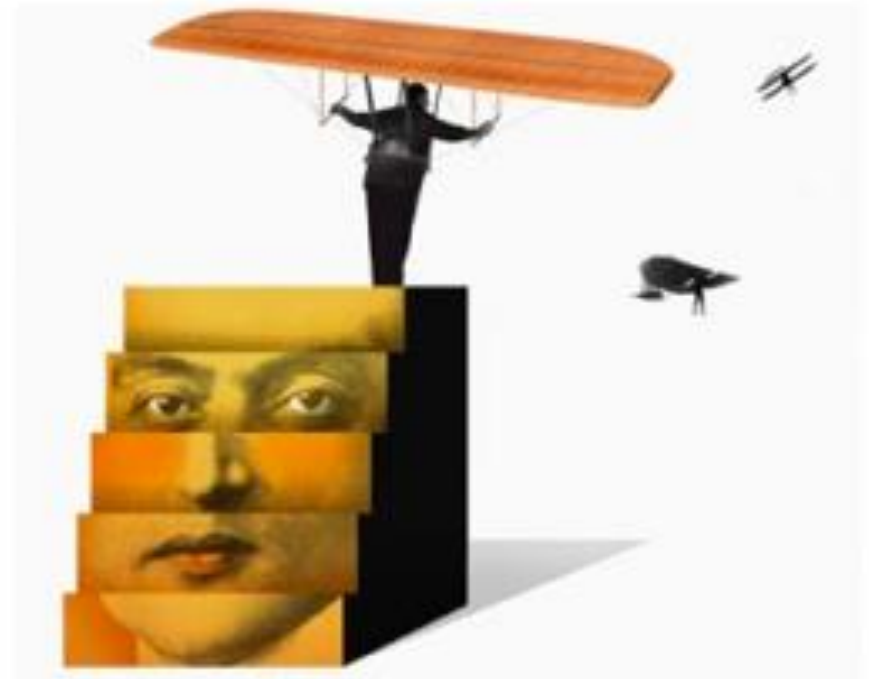
LUBS2045

Week 1 Lecture

# **Introduction: Understanding entrepreneurship**

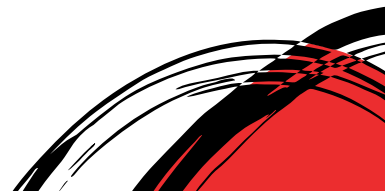
# What I would like to discuss...

- About the module
- What is entrepreneurship?
  - Different definitions
- Schumpeter and Kirzner
  - Innovation
  - Robinson Crusoe
- Impacts of entrepreneurship
- The importance of context



# Teaching team

- Module leader: Prof Nick Williams
- Professor of Entrepreneurship
- PhD University of Sheffield
- Email: [n.e.williams@leeds.ac.uk](mailto:n.e.williams@leeds.ac.uk)





# ce au în comun oamenii

Doi profesori renumiți de la Universitatea din Sheffield, Tim Vorley și Nick Williams, specializați în problemele antreprenorilor, au prezentat, în cadrul unui seminar cu tema „Cum să fii mai performant în business”, organizat în parteneriat cu Intact Media Academy, câteva sfaturi de care orice manager ar trebui să țină cont.

**Nick Williams - Sfaturi pentru un start-up de succes**

BUCUREȘTI

Important nu este numai investirea în capitalul tău de resurse umane

**PENTRU AFACERI DE SUCCES**  
**NICK WILLIAMS**  
antreprenoriat Univ. Sheffield



BUCUREȘTI

**IDEI PENTRU AFACERI DE SUCCES**  
Cei mai buni profesori de la Univ. Sheffield au fost prezenți în România, pentru o zi

**BOLEA ESTE ARESTAT PREVENTIV PENTRU ÎNȘELĂCIUNE**

08:46





# About the module

- One hour lecture per week
- One hour seminar per week
- Each week will introduce a different (but interrelated) topic
- Assessment: in person exam; one compulsory question, one question chosen from choice of four

ENTREPRENEURSHIP & REGIONAL DEVELOPMENT, 2016  
VOL. 28, NOS. 5-6, 471-475  
<http://dx.doi.org/10.1080/08985626.2016.1198091>

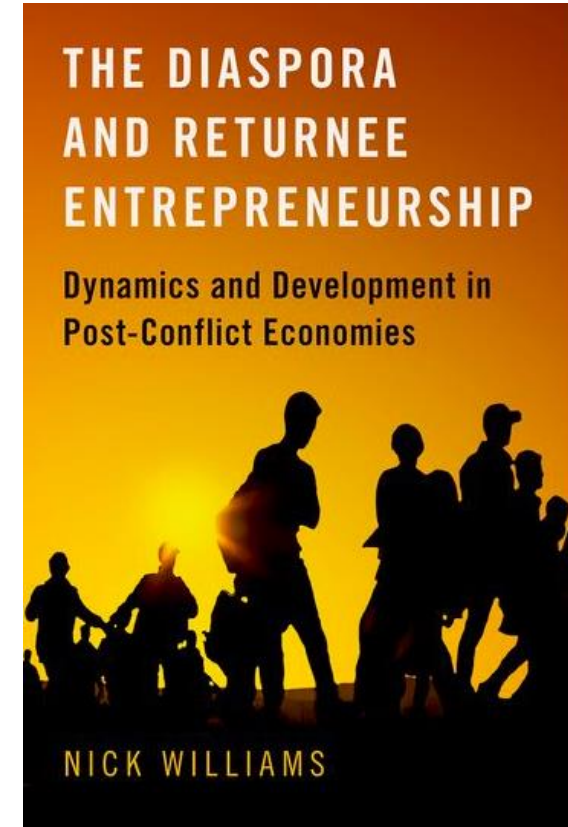
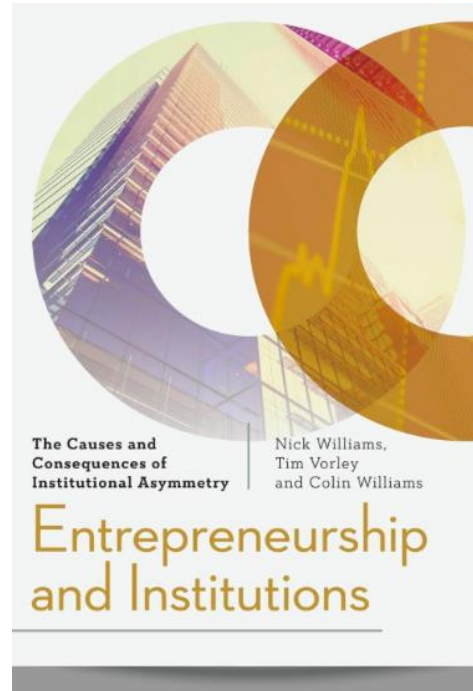


## Entrepreneurship and crises: business as usual?

Rachel Doern<sup>a</sup>, Nick Williams<sup>b</sup> and Tim Vorley<sup>c</sup>

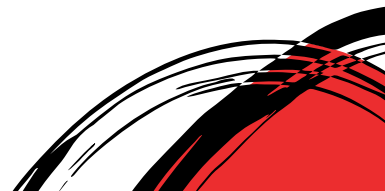
<sup>a</sup>Institute of Management Studies, Goldsmiths University of London, London, UK; <sup>b</sup>Business School, University of Leeds, Leeds, UK; <sup>c</sup>Management School, University of Sheffield, Sheffield, UK

The aim of this Special Issue is to examine more closely the relationship between entrepreneurial activity and crises. Crises tend to have severe consequences for businesses, gener-

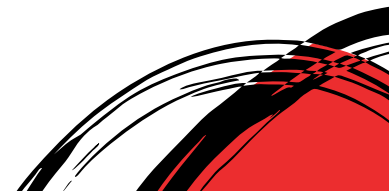


# Module Learning Outcomes

- Describe and explain the concept of entrepreneurship and the types and characteristics of small businesses
- Recognise and recall the psychological theories of entrepreneurship and analyse how entrepreneurs acquire resources and persuade others to invest in their novel venture.
- Identify the various environmental factors, external to the individual, which can influence the extent of entrepreneurship in society
- Outline how entrepreneurship connects to innovation in large businesses



# Understanding entrepreneurship



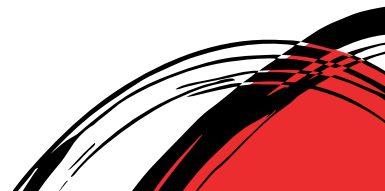


# Evolving Conceptual Perspectives

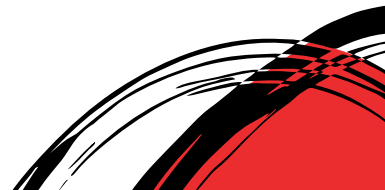
- Many governments see entrepreneurship as vital for growing economies, and seek to encourage enterprise and innovation at all levels in society

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**[ahn-truh-pruh-nur]**  
**-noun**  
1. hard to define

- Scholars have taken different perspectives over time:
  - There is very little that generates consensus in the field of entrepreneurship (Verheul et al, 2001)
  - “Entrepreneurship is like obscenity: nobody agrees what it is, but we all know it when we see it” (Shaver and Scott, 1991, p. 24)

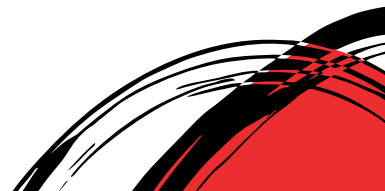


# Definitions



# Conceptual Foundations

- French verb: *entreprendre* (to undertake)
- The entrepreneur is someone who 'undertakes' many things and makes things happen
- Since the 18<sup>th</sup> Century scholars have examined the nature of entrepreneurship within society
- Continues to be a growing interest in entrepreneurship academically and politically
- Useful to think about entrepreneurship in terms of its results/outcomes



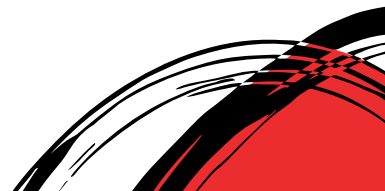
# Narrow and Broad Definitions

Is it all about:

- start-ups?
- ownership of businesses?
- small businesses?
- private sector?
- high growth businesses?

Or is it also about:

- managers in organisations?
- enterprising people who are employed by organisations?
- enterprising people in all walks of life?



# Defining Entrepreneurship

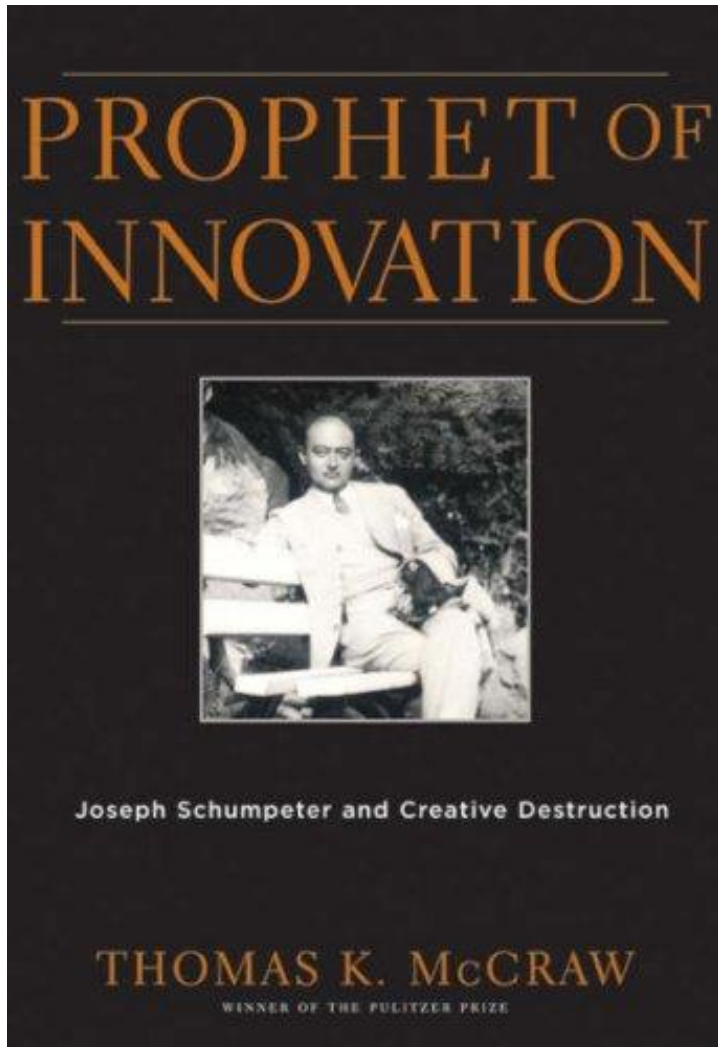
- Multiple and contested definitions of entrepreneurs and entrepreneurship
- Many definitions emphasise change, creativity and innovation
  - A broad definition is required which encompasses start-ups, culture, innovation etc.





Author	Definition
Schumpeter (1934)	Entrepreneurship is seen as new combinations including the doing of new things or the doing of things that are already being done in a new way. New combinations include (1) introduction of new good, (2) new method of production, (3) opening of a new market, (4) new source of supply, (5) new organizations.
Kirzner (1973)	Entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of the opportunity will tend to "correct" the market and bring it back toward equilibrium.
Drucker (1985)	Entrepreneurship is an act of innovation that involves endowing existing resources with new wealth-producing capacity.
Stevenson, Roberts, & Grousbeck (1985)	Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities.
Rumelt (1987)	Entrepreneurship is the creation of new business, new business meaning that they do not exactly duplicate existing businesses but have some element of novelty.
Low & MacMillan (1988)	Entrepreneurship is the creation of new enterprise.
Gartner (1988)	Entrepreneurship is the creation of organizations, the process by which new organizations come into existence.
Timmons (1997)	Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced.
Venkataraman (1997)	Entrepreneurship research seeks to understand how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom, and with what consequences.
Morris (1998)	Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organizational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets, and technologies.
Sharma & Chrisman (1999)	Entrepreneurship encompasses acts of organizational creation, renewal, or innovation that occur within or outside an existing organization.

# Schumpeter and Kirzner



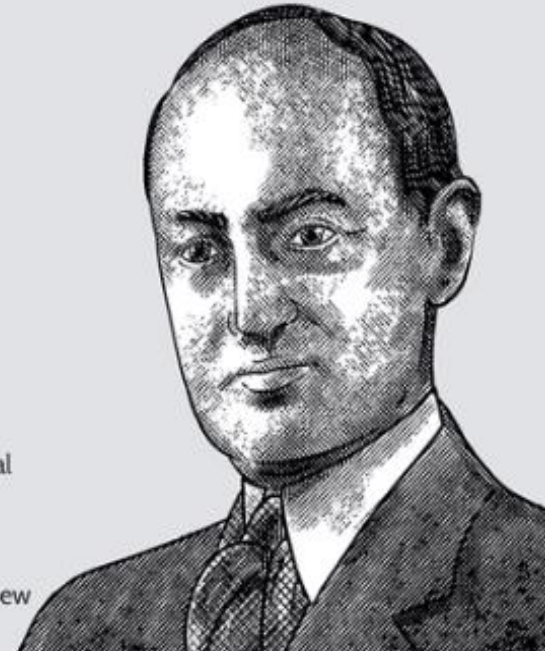
## Joseph Schumpeter

Born: February 8, 1883

Died: January 8, 1950

### Economist and Economist Historian

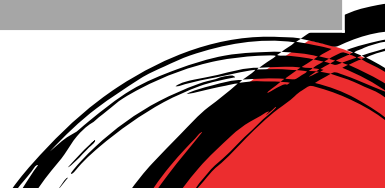
- Best known for his 1942 book "Capitalism, Socialism, and Democracy," the theory of creative destruction, and for offering the first German and English references to methodological individualism in economics
- Creative destruction, a term he coined, describes how the old is constantly being replaced by the new



# Different Emphases

- Schumpeter and Kirzner find that qualities such as boldness, imagination and creativity are important aspects of entrepreneurship (Schumpeter, 1942; Kirzner, 1973)
- However, there are differences between Kirzner's and Schumpeter's view of the role of the entrepreneur in an economy:

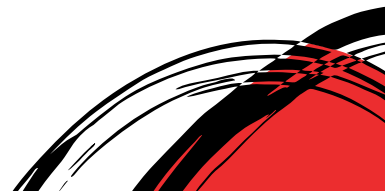
Schumpeterian Opportunities	Kirznerian Opportunities
Disequilibrating	Equilibrating
Requires new information	Does not require new information
Very innovative	Less innovative
Rare	Common
Involves creation	Limited to discovery



# Creative Destruction

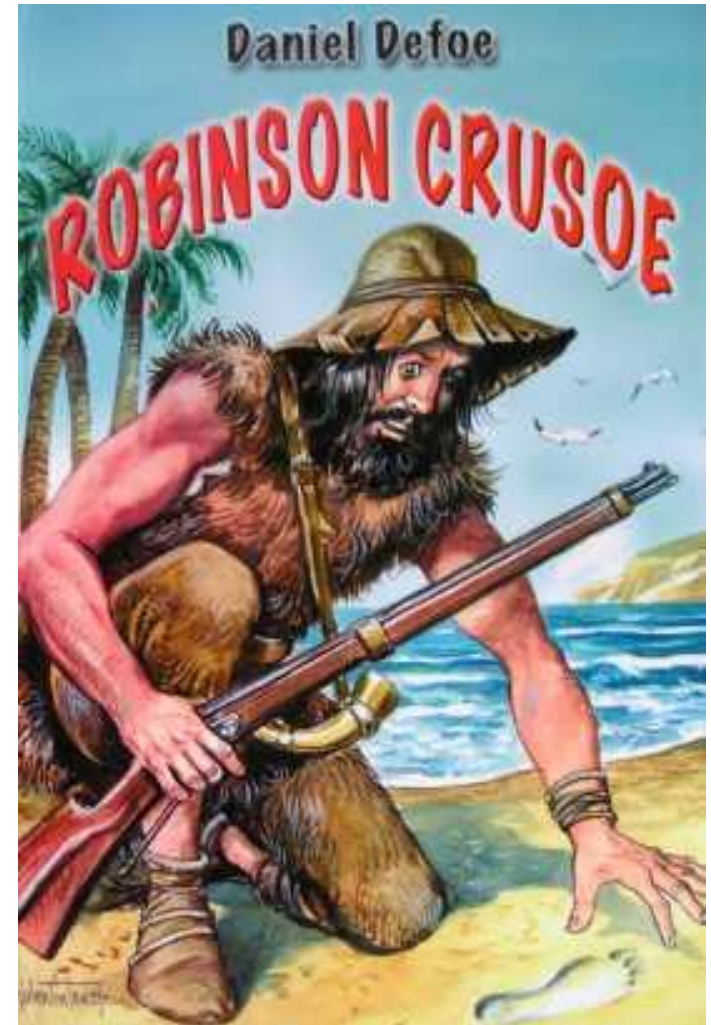
Schumpeter (1934) identified 5 principle sources of what he referred to as 'creative destruction' that often underpin innovation:

- Introduction of a new good (or a significant improvement in the quality of an existing good);
- Introduction of a new method of production (i.e. innovation in processes);
- The opening of a new market (in particular an export market in a new territory);
- The 'conquest of a new source of supply of raw materials or half-manufactured goods';
- The creation of a new type of industrial organisation (i.e. an administrative innovation)





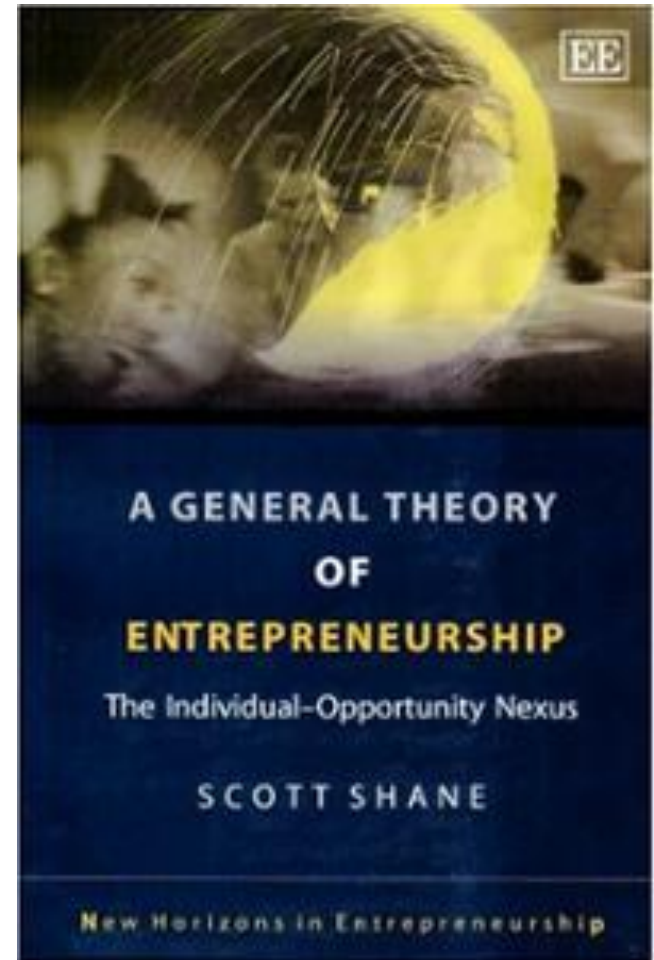
# Robinson Crusoe





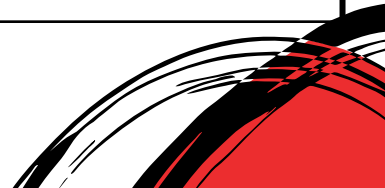
# Individuals and Opportunities

- Developing the Kirznerian view:
  - Alertness is key; not resources
  - Entrepreneurship involves the nexus of entrepreneurial opportunities and enterprising individuals, and the ability to identify opportunities is a key part of the entrepreneurial process (Shane, 2003)
- Important - entrepreneurship is a profit and loss system
  - errors will be made which lead to shortages and surpluses, which then creates opportunities for other entrepreneurs to enter the market (Kirzner, 1973)

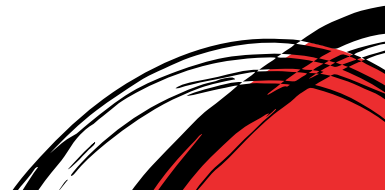


# Other Contributions

Richard Cantillon (‘entreprendre’)	Entrepreneurs as an individual Expenditure is known and certain Incomes are unknown and uncertain
Jean-Baptiste Say (first professor of economics in Europe)	Entrepreneur is a rare phenomenon Co-ordinates and combines contributions Overcomes an abundance of obstacles
Frank Knight	Entrepreneur is a (calculated) risk taker Profit is the reward for bearing uninsurable risks
Mark Casson	Entrepreneurship is a multi-faceted activity An entrepreneur is what an entrepreneur does



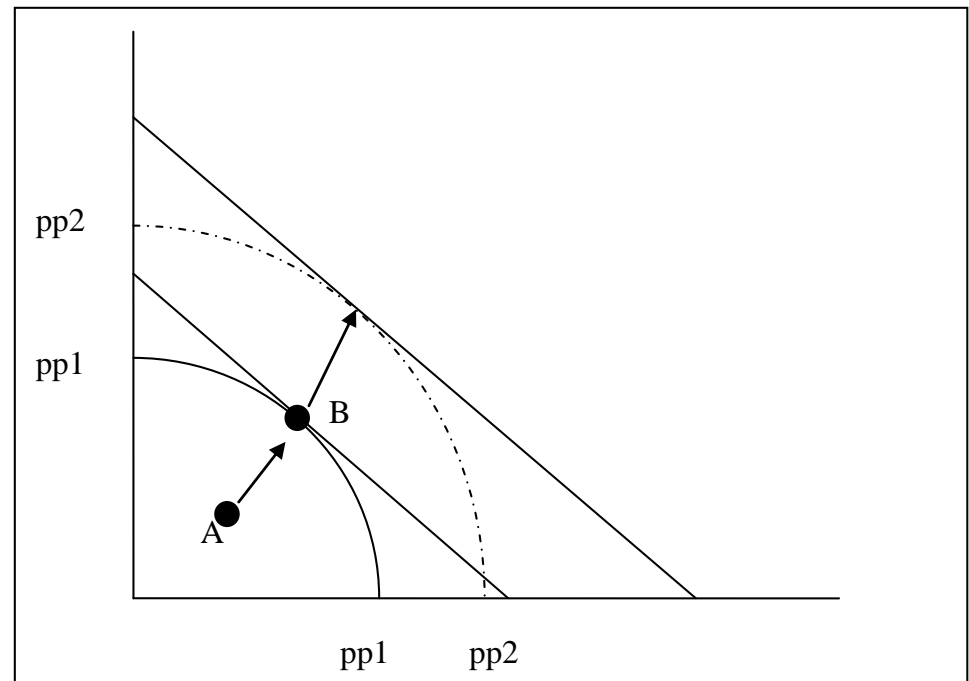
# **Impacts and types of entrepreneurship**



# Economic Impacts

- Entrepreneurship is widely believed to:
  - stimulate competition,
  - drive innovation
  - create employment,
  - generate positive externalities with other companies,
  - increase productivity by introducing technological change,
  - provide a route out of poverty etc.

**Entrepreneurship and the Production Possibility Curve**



# Social Dimension

- Drive changes in the structure of society as well as making economic contribution





# Continuum of entrepreneurial activity

Necessity

Creative

Serial

Conventional

Opportunist



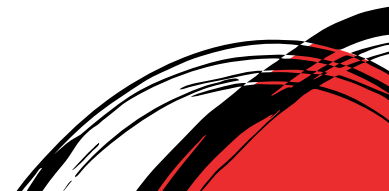
**Necessity** Reluctantly thrust into self-employment through circumstances. Ekes out a living but would prefer to be employed. It may be for a brief period of time, circumstances require self employment.

**Conventional:** self-employed, but stick with conventional products and ideas to meet lifestyle needs

**Creative:** seeks success, but within the limits of personal or professional values e.g. artistic entrepreneurs, social entrepreneurs

**Opportunist:** Spots opportunity and pursues growth to support personal status needs e.g. financial success, social impact

**Serial:** constantly challenging assumptions, developing new products/services, seek rapid growth, however defined

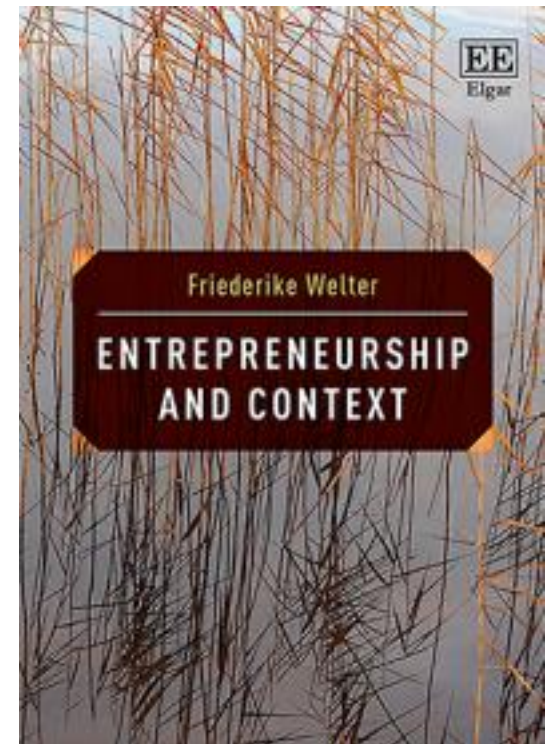


# Importance of context

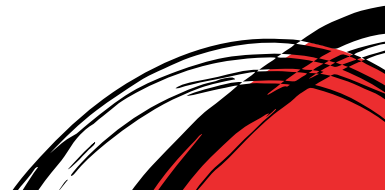


## Contextualizing Entrepreneurship— Conceptual Challenges and Ways Forward

Friederike Welter



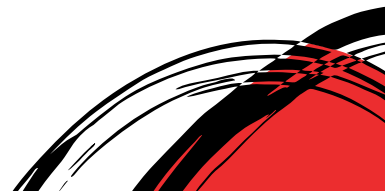
**Thinking critically...**



# Myths v. Realities

- 'Received wisdom':
  - We need more entrepreneurs to lead the economy: and
  - more entrepreneurship to liven up industry
  - Small firms create economic development
  - There is a positive correlation between jobs and entrepreneurship
- Do the facts bear this out?

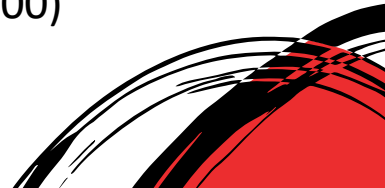
**WE**   
**ENTREPR**  
**ENEURS**



# Myths v. Realities

MYTH	REALITY
SMEs are the job creators	Only some SMEs create jobs and are high growth
New companies are the source of employment	High job growth comes in old and new companies
Growing firms come from new and high growth sectors	Dynamic companies come from all sectors
Entrepreneurs of growing companies are young and well educated	Dynamic entrepreneurs come from all ages and education levels
Growing companies are built by an energetic and self-sufficient entrepreneur	Built by teams with a professional management approach

Roure (2000)

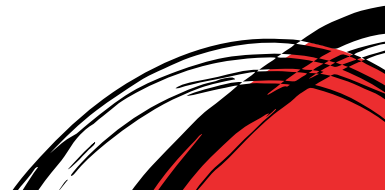




# Myths v. Realities

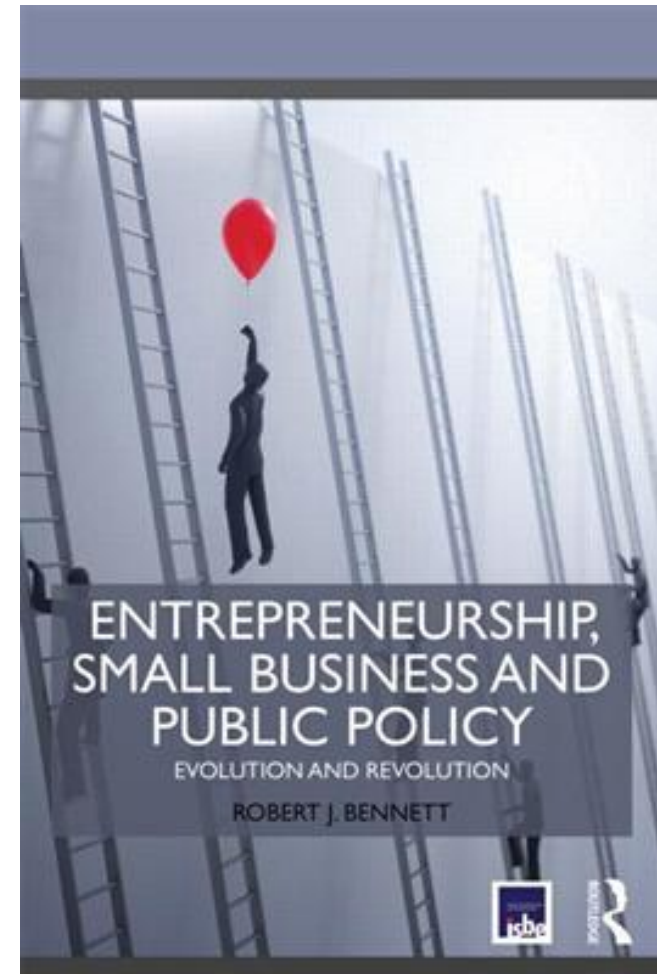
MYTH	REALITY
Target large and growing markets	Target sectors where they can be leaders or strong challengers
Target domestic markets that they can dominate	Often use exports to learn and grow
Growing companies use low-cost strategies to compete	Compete with high quality products and superior service
Growing companies rely primarily on unique technology	Rely primarily on recruiting, training and developing people
Growing companies use sophisticated sources of finance	Predominantly self-funded with assistance from bank loans

Roure (2000)

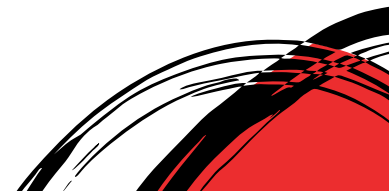


# What role for policy?

- Policy approaches are varied:
  - Address regulatory framework
  - Better access to finance
  - Role of education
  - Technology transfer and spin outs
  - Business planning /training
  - In crisis situations?
- In policy terms there is a lack of consensus regarding what works due to limited effective evaluations of the impacts of policy (Greene and Storey, 2007)
  - This has led to some authors arguing that entrepreneurship has come to be seen as a magic bullet for policy makers for alleviating all economic and social problems (Blackburn and Ram, 2006; Huggins and Williams, 2009)



# Final Thoughts



# Final Thoughts

- Different definitions of entrepreneurship
- Entrepreneurship can be both innovation and imitative
- Entrepreneurship has economic and social impacts but these are difficult to measure
- The role for policy is an ongoing debate
- Policy makers must learn from past success/failure
- Context is important for understanding entrepreneurship

