Evolution and Theories of Entrepreneurship: A Critical Review on the Kenyan Perspective

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Abstract:

This paper attempts to give a critical review of various theories of entrepreneurship and also shows how the theories can be applied in the developing countries with emphasis on East Africa but focusing Kenya's entrepreneurial culture and practices. All these approaches are critically analyzed and both strong sides and shortcomings are introduced in terms of their implications This paper focuses on various approaches of entrepreneurships such as classical theorists like Richard Cantillon- the entrepreneur who equilibrates supply and demand in the economy by bearing risks or uncertainty; Jean Baptiste Say who portrays the entrepreneur as a manager being an agent of production in the economy rather than a risk taker; the neoclassical theories of Alfred Marshall who introduced an innovation function of an entrepreneur by continuously seeking opportunities to minimize costs and ultimately maintaining equilibrium in the economy through perfect competition; Schumpeterian approach as the creative destroyer of equilibrium through innovation and discovery of opportunities by introducing new products or new processes; Kirzner who introduced the entrepreneur alert and a creation of economic shock and the response of the alert entrepreneur to the same; Knightian entrepreneur as a residual claimant and risk taker in the environment of uncertainty, the approach of Schutz of using information revealed to react to opportunities through change of behavior and action and other recent theorists. A review is also done on the sociological aspects of entrepreneurship with a view to solve social issues (social entrepreneurship); biological theories which brings in the gender differences in the start-up and operation of entrepreneurial ventures with an emphasis on risk taking; an analysis of entrepreneurship as a team concept rather than an individualistic issue and the benefits that arise from it due t supportive mechanisms such as culture and policies.

Key Words: *Theories of entrepreneurships, approaches, culture, practices, human capital, Profits, equilibrium.*

1. Introduction

1.1 Definitions of Entrepreneurships.

The classical and neo-classical theorists have labored in trying to define entrepreneurship, but there is no single definition of Entrepreneurship. It all depends on the focus of the one defining it and from which perspective one looks at it. Some researchers look at entrepreneurship from the economics view, sociology and psychology, others look at it from the management perspective, while others look at it from the social perspective. Entrepreneurship is a therefore a multidimensional concept (Bula, 2012a).

According to Van Praag (1999), Richard Cantillon was the fist economist to acknowledge the entrepreneur as a key economic factor in his posthumous "Essai sur la nature du commerce en general" first published in 1755 (Cantillon, 1959). Cantillon saw the entrepreneur as responsible for all exchange and circulation in the economy. As opposed to wage workers and land owners who both receive a certain or fixed income/rent, the entrepreneur earns an uncertain profit (Hebert and Link, 1988). Cantillon's entrepreneur is an individual that equilibrates supply and demand in the economy and in this function bears risk or uncertainty.

Say (1767-1832) provided a different interpretation of the entrepreneurial task. He regarded the entrepreneur as a manager of a firm; an input in the production process. (Say, 2001).

Say saw the entrepreneur as the main agent of production in the economy. Rather than emphasizing the risk-bearing role of the entrepreneur, Say stressed that the entrepreneur's principle quality is to have good judgment (Hebert & Link, 1988, p. 38).

The entrepreneur acts in the static world of equilibrium, where he assesses the most favorable economic opportunities. The payoff to the entrepreneur is not profits arising from risk-bearing but instead a wage accruing to a scarce type of labor, the role of the entrepreneur is separated from that of the capitalist. In his "Principles of Economics," the early neo-classical economist, Alfred Marshall, also devoted attention to the entrepreneur. In addition to the risk bearing and management aspects emphasized by Cantillon and Say, Marshall introduced an innovating function of the entrepreneur by emphasizing that the entrepreneur continuously seeks opportunities to minimize costs (Marshall, 1964).

An entrepreneur can fulfill different functions (Fiet, 1996). Other researchers distinguish between the supply of financial capital, innovation, allocation of resources among alternative uses and decision-making as functions of an entrepreneur. They use the following definition of an entrepreneur which encompasses the various functions: "the entrepreneur is someone who specializes in taking responsibility for and making judgmental decisions that affect the location, form, and the use of goods, resources or institutions" (Hébert and Link, 1989, p. 213). Wennekers and Thurik (1999)

Schumpeter defines entrepreneurship from the economics perspective by focusing on the perception of new economic opportunities and the subsequent introduction of new ideas in the market. Entrepreneurs identify opportunities, assemble required resources, implement a practical action plan, and harvest the reward in a timely, flexible way (Sahlman and Stevenson 1991, p. 1). Those in the management world may apply Schumpeter's definition: entrepreneurship is a way of managing that involves pursuing opportunity without regard to the resources currently controlled.

2. Different Approaches of Entrepreneurship

2.1 Entrepreneurship as a mental act

Mises(1949) looks at entrepreneurship from the point of view of the particular outcome which the actor aims at. Action seeks to change the future. Entrepreneurship is the comparison of the forecasted future state of the world which the actor expects to occur in the absence of his specific action with the newly-made and previously-unnoticed or unforeseen forecasted future state of the world which the actor expects to result from his specific action, and the taking of the specific action by the entrepreneur to achieve his preferred future state of the world. Entrepreneurship consists in the creation of a previously-unperceived opportunity for profit and the alertness to that previously untapped opportunity, and then the taking of action to achieve the opportunity. Mises solved the entrepreneurial task by introducing human action. Besides the agents' attempt to calculate economic problems, they are also alert to opportunities. Once an economic agent recognizes a market opportunity, he acts on it to improve his position. Opportunities are abundant in a situation of disequilibrium and there is the ability of human action to every economic agent.

2.3 Evolution

A lot of issues are addressed that burn down to questioning the phenomenon of innovation endowment (resources, capabilities) competencies (including experience)) and non-individual, environmental factors subsuming the economic situation. The latter gives us the notion of feedback effects. The economic agents' decisions are influenced by economic factors (economic situation) and in return influence economic factors by their actions, e.g. by the decision to establish a firm (Becker, 1993).

2.4 Actors

Entrepreneurial spirit, human capital and venture capital are an entrepreneur's individual endowment which can be used to act towards establishing a business venture. The entrepreneurial component can be thought of as the residual of the agent's (entrepreneur's) individual endowment which withdraws itself from empirical measurability (Mises, 1949).

2.5 Human capital

The human capital approach, constituted by Theodor W. Schultz and elaborated by

Becker (1993) among others allows for an empirical application. It borrows from optimal investment theory by highlighting income distribution. The theoretical concept is basically derived from investment theory in physical capital using marginal analysis, agents decide in a dichotomous way; if they expect the returns of going entrepreneurial will be higher than being an employee, they will decide to become an entrepreneur (Schutz, 1971).

3. Entrepreneurship Theories

3.1 Cantillon's theory (1755)

This theory does not view the entrepreneur as a production factor as such, but an agent that takes on risk and thereby equilibrates supply and demand in the economy. In a neo-classical framework, this function resembles that of the optimizing residual claimant, e.g., the business owner who rents labor and capital from workers and land owners in a world of uncertain demand or production.

3.2 Marshall's approach to entrepreneurship (Marshall, 1949)

Marshall is an equilibrium creating entrepreneur. To Schumpeter, the crucial fact about the modern corporation is that its managers cannot fill the strong social role played by the entrepreneur. (Schumpeter, 1942, p. 134).The Neo-classical theory and thereby the 'Marshallian' analysis tries to explain equilibrium conditions in the markets under the assumptions of perfect knowledge and information, perfect competition (existence of many firms), existence of homogenous goods, and free entry and exit. Marshall's main concerns and at the same time goal is to show that markets clear under the perfect competition assumptions and there are no excess profit opportunities and hence there is no exploitation of labor in production process since everyone earns his marginal contribution to production and national income. Marshall uses small changes (innovations) in the market process by many small competitors and confusingly indicates that large scale production is essential for economic progress and economic innovation (Schumpeter, 1942).

Marshall tried to create equilibrium by having many players in the market, hence perfect competition and not monopolist market. His theories consider many ‘great men’ who establish equilibrium in the supply and demand in the market for goods and services. Marshallian analysis gives small contributions from a very large number of modest entrepreneurs’ lead economic progress.

3.3 The Social Enterprise School

Entrepreneurship is viewed as “social enterprise” initiative. This refers to any organization, in any sector, that uses earned income strategies to pursue a double bottom line or a triple bottom line, either alone or as part of a mixed revenue stream (as a social sector business) that includes charitable contributions and public sector subsidies.” Social Enterprise School centers on earned-income activity by nonprofits, but also includes market based solutions to social problems as well as businesses that generate profit that is donated to a social venture or purpose.

3.4 Schultz Approach (Schultz, 1975)

Argues that entrepreneurship is closely connected to situations of disequilibria and that entrepreneurship is the ability to deal with these situations. In disequilibrium, agents are acting sub-optimally and can reallocate their resources to achieve a higher level of satisfaction. Entrepreneurship is the ability to coordinate this reallocation efficiently, and it follows that agents have different degrees of entrepreneurial ability. Schultz argues that, in disequilibrium, individuals know that opportunities to increase satisfaction exist but the reallocating process requires time. A better allocation of resources can be achieved either by experimenting (trial and error) or by investing in human capital. Schultz (1975) argues that entrepreneurship exists in all aspects of life. Thus, housewives and students are entrepreneurs when reallocating their time for housework or student activities. Furthermore, since entrepreneurship is an ability that can be augmented by investment, Schultz argues that a market for entrepreneurship exists and that it is possible to analyze entrepreneurship within the conventional supply and demand framework (Hebert and Link, 1988).

3.5 Kirzner's "alert" entrepreneur (Kirzner, 1997)

While in Neoclassical analysis (Marshall) the main focus is the conditions necessary to sustain an equilibrium, and Schumpeter's focus was to explain the progress in capitalistic system by using innovator entrepreneur's destructive creation, Kirzner- representing the Neo-Austrian approach to entrepreneurship- focused on answering the question of whether a market economy works and, if it does so, what is the process that leads the economy towards an equilibrium? Kirzner claims that initially the economy is in disequilibrium and the competition among 'alert' entrepreneurs leads to equilibrium. Unlike Neo-classical economists, Kirzner realizes that markets are not always clear, there is no perfectly informed representative agent and for change to occur the entrepreneurs need incentives and this incentives comes from the difference among agents in terms of information and knowledge.

According to Kirzner, an improvement in the technique of production or a shift in preferences leads to change (disequilibrium) in the market where initially there was equilibrium. If there is equilibrium in the market there is nothing for the entrepreneur to do and no exchange and profit opportunities for them since everybody will be able to carry out his initially determined exchange plans. But whenever the change has occurred, some planned activities will not be realized. Kirzner states, there is no room for entrepreneurial discovery and creativity: the course of market events is foreordained by the data of market situation and for the system to create profit opportunities for entrepreneur there is need for an exogenous shock to the system. Kirzner argues that the economy is in a constant state of disequilibrium due to shocks constantly hitting the economy. Furthermore, economic agents suffer from "utter ignorance"--they simply do not know that additional information is available. In this world, the alert entrepreneur discovers and exploits new business opportunities and eliminates (some of the) "utter ignorance" and thus moves the economy toward equilibrium, which is the state where no more information can be discovered.

Kirzner's analysis of entrepreneurship identifies a disequilibrium that can only be corrected (to equilibrium) by alert entrepreneurs who produce and exchange, but the emphasis is on the exchange opportunities and progress that comes mainly from this part. He postulates that entrepreneurial progress does not depend on a “great man" but it does depend on many great men, many players in the business arena. Profits from an entrepreneurial venture may not usually be very large and in some cases before the break-even point is established, the returns maybe negative. Since there is a lot of uncertainty in the business environment, profits is always a speculative affair by the entrepreneurs and therefore an entrepreneurship is an act of risk taking. Seeing risk and grabbing them may be considered too certain and requires an extra talent of people who can see the extra ordinary things. This scenario may therefore negate Kirzner theory.

3.6 Schumpeter (1999): the discovery and opportunity theory of entrepreneurship (equilibrium destruction theory)

Schumpeter looks at entrepreneurship as innovation and not imitation. Schumpeter's innovator as an economic and social leader does not care much about economic profits and only joy he gets from being an innovator and being a server to his society. Schumpeter’s entrepreneur is an innovator in the entrepreneurship arena. In the Schumpeterian theory, the entrepreneur moves the economy out of the static equilibrium.

Marz (1991), states that "Schumpeter hardly denied that the process of accumulation is the ladder to social power and social prestige; but he thought the very mainspring of the exercise of the entrepreneurial function is the powerful will to assert economic leadership. The joy of carrying through innovations is the primary motive, the acquisition of social power a subsidiary to it. The entrepreneur is not (necessarily) the one who invents new combinations but the one who identifies how these new combinations can be applied in production. This line of reasoning implies that a business owner is considered an entrepreneur only if he is carrying out new combinations." The entrepreneur moves the economic system out of the static equilibrium by creating new products or production methods thereby rendering others obsolete. This is the process of "creative destruction"(creating uncertainty) which Schumpeter saw as the driving force behind economic development (Schumpeter, 1949).

3.7 Knight’s Approach (Knight, 1971)

According to Knight, the main function of the entrepreneur is to assume the uncertainty related to these events, thereby shielding all other stakeholders against the entrepreneur. It could be argued that the innovating role of the entrepreneur was already identified or at least mentioned by Marshall. Knight views an entrepreneur in terms of Risk, Uncertainty and Profit. Knight recognized the distinction between risk and uncertainty. The latter is uninsurable since it relates to unique events, e.g., a shift in consumer taste. According to Knight, the main function of the entrepreneur is to assume the uncertainty related to these events, thereby shielding all other stakeholders against it. i.e., the entrepreneur exercises judgment over these unique situations, the uncertainty in the economy, and functions as an insurance agent. Knight elaborated his theory in the paper; "Profits and Entrepreneurial Functions" from 1942 (Knight, 1942, 1971).

Knight explicitly argues that entrepreneurs are owners of companies, i.e., residual claimants, and thus receive profits. In order to earn a positive profit, the entrepreneur carries out three tasks (ibid): (1) he initiates useful changes or innovations; (2) he adapts to changes in the economic environment; and (3) he assumes the consequences of uncertainty related to the company. Hence, in this later .It can be argued that the Knightian theory of entrepreneurship is a refinement of the theory by Cantillon (Hebert and Link, 1988). The latter also argued that entrepreneurship is closely connected to risk/uncertainty but did not recognize the important distinction between the two. However, the 'Cantillonian' entrepreneur is also an arbitrageur who ensures that the economy is in equilibrium-a function which is not entrusted.

3.7 Neoclassical Constraints

An economy cannot be static and therefore the state of static equilibrium is unrealistic. Large profits in the entrepreneurial situation are also not easy to come by. The wholesome application of the neoclassical theories is also unrealistic.

3.8 Biological Theory of Entrepreneurship

According to Eagly (1995) several of the academic theories of gender differences offer explanations based on deeply seated cultural or even biological differences between men and women. The practitioner literatures are also particularly likely to emphasize gender differences, construing them as core aspects of what it means to be a man or a woman in the entrepreneurial process. However, other especially role-based theories emphasize that gender differences in behavior should be expected to change along with other social changes. Moreover, even theories of more stable gender differences generally also admit the co-existence of more malleable gender differences (Udry, 2001).

Risk has long been a central concept in the entrepreneurship literature suggested by Adam Smith and J.S. Mill (Schumpeter, 1999) Entrepreneurial activities are frequently assumed to involve risk-taking, especially relative to managerial activities within established corporations. However, research has failed to consistently find risk-taking propensity to be a trait distinguishing entrepreneurs from others (Brockhaus, 1980; Aldrich and Wiedenmeyer, 1993; Gartner, 1989). A more promising recent line of research has suggested that entrepreneurs differ in cognitive style from others and that they may be more likely to make particular cognitive errors (Baron, 1998; Kahneman and Lovallo, 1994; Palich and Bagby, 1995), especially errors of overconfidence (Busenitz and Barney, 1997, Cooper, Dunkelberg & Woo, 1988; Manimala, 1992).

Psychologists have documented moderate and consistent levels of differences between men and women in risk-taking behaviors. An analysis of 150 studies examining such differences found some evidence of a temporal trend toward smaller differences, but still found that men were significantly more likely than women to engage in 14 of 16 types of risky activities. Their results showed that "males took more risks even when it was clear that it was a bad idea to take a risk," and that females "seemed to be disinclined to take risks even in fairly risky situations or when it was a good idea," leading to the speculation that "men and boys would tend to encounter failure or other negative consequences more often than women and girls" and that "women and girls would tend to experience success less often than they should" (Byrnes et al., 1999, p.378).

Psychologists' view explains why women are risk averse and are skeptical into venturing in unfamiliar territories as regards business operations. Risk taking is one the entrepreneurial competencies that can propel a business to growth and innovation that ultimately may make a business enterprise to be successful. Risk averseness may contribute immensely to business failure and collapse. This might explain why women enterprises fail within five years of their establishment/start up.

Powell and Ansic (1997) studied business decision-making and their research suggested that women prefer lower risks than men, especially in financial contexts. Their own experimental study of business students showed that women preferred less financial risk than men across a variety of framing scenarios. These views are consistent with those of Sexton and Bowman-Upton (1990), whose study suggested a lower preference for financial risks among female than among male entrepreneurs. It is also consistent with a perspective that views financial leverage as risky, women are also less likely to apply for a loan and are more likely to use personal assets to finance the enterprise or as collateral (Van Auken, 1999; Sexton and Bowman-Upton, 1990). This situation is similar to the Kenyan situation where women are more comfortable with the merry-go –round funding and micro-financing as opposed to borrowing from commercial banks as this is perceived to be less risky. Practitioner-oriented entrepreneurship writers have frequently commented that women entrepreneurs perceive or evaluate risk differently than men, suggesting that women may be less likely to voluntarily undertake very high-risk business activities (Scollard, 1989, 1995).

It has also been suggested that women may be less willing to undertake activities-such as raising external financing-that put them at risk of losing control of their business to outside stakeholders (Stolze, 1989, 1995). Scollard suggests that small elite groups of women entrepreneurs approach risk-taking in a manner similar to men, but that on average, women entrepreneurs are much less willing to undertake substantial business risks. She suggests that men build businesses of all sizes, but most women build only very small businesses, with a few building large firms: "A chasm divides the two ends of the spectrum. That chasm is the fear of risks (Stolze, 1995: 78)."

3.9 Sociological Theories of Entrepreneurship

Entrepreneurial ventures are clearly social entities from the very beginning, because even solo ventures implicitly involve a choice *not* to share ownership with others in the founding process. How a venture begins and whether others are recruited to join the effort can have lasting consequences for its performance and survival. Enterprises can be formed as a result of teams. Three principles underlying team formation may be distinguished: choice on the basis of homophily, purposive choice, and choice constrained by context or opportunity structure (Ruef 2001). Homophily refers to the tendency of people to associate with others similar to themselves, such as choosing others on the basis of gender or ethnicity. Purposive choice reflects people's tendencies to choose others who possess valuable skills, such as education or experience. Finally, opportunity structures set a context within which the first two principles operate. Founders cannot choose someone whom they have not met or have no way to reach, such as a person who works in another organization or lives in another city (Ruef et al. 2002).

Entrepreneurship has a psychological contract involving a give and take 'transactionionary' relationship in form of teamwork involving two or more individuals who jointly establish a business in which they have an equity (financial) interest. These individuals are present during the pre-start-up phase of the firm, before it actually begins making its goods or services available to the market." By this definition, a person must be involved from the beginning and also must have an equity stake in the venture to be considered a member of the team. Much of the literature is based on the assumption that teams are a deliberate choice of a lead entrepreneur or set of founders (Kamm et al. 1990: 7).

Bird (1989) postulate that there are psychological benefits derived from relationships between team members Unlike a solo entrepreneur, who must bear the burden of making decisions and facing their consequences with no one else to blame, entrepreneurial teams spread the responsibility across individuals. Having to defend decisions to other individuals also having an equity stake in the venture can make team members more confident in their decisions.

Francis and Sandberg (2000: 6) noted that friendships “may hold teams together and stimulate heroic efforts during difficult times.” The Biological perspective of entrepreneurship involves a psychological satisfaction and differences in behaviors in their exhibited by different gender in their endeavors as entrepreneurs.

4. Strategic Orientation and Resource Recombination

Innovative resource recombination has been suggested to be the result of a high alertness to new opportunities (Zahra & Wiklund, 2000). The ability to identify and commit oneself to new opportunities has been seen as key entrepreneurial features of individuals (Casson, 1982; Kirzner 1973; Knight, 1942; Schumpeter, 1934) and firms (Stevenson 1983; Wiklund, 1998; Zahra, 1991). Stevenson (1983) suggests that entrepreneurial firms base their strategies solely on opportunities that exist in the environment, using opportunities as a starting point for developing strategies. They tend to pursue new opportunities without regard to resources currently controlled, identifying the resources necessary to exploit an opportunity after they have assessed a new strategy. Administratively managed companies, on the other hand, tend to look more at the resources they already control when developing strategies. They may be aware of the opportunities in the environment but tend to think in terms of how to best utilize and exploit the resources they already control as efficiently as possible in order to exploit new opportunities.

5. Recent Theories

Recent theories of entrepreneurship build on the works described above. Shane and Venkataraman (2000) state that "entrepreneurship involves the nexus of two phenomena: the presence of lucrative opportunities and the presence of enterprising individuals" (Shane and Venkataraman, 2000). Their theory is inspired by the ‘Kirznerian’ entrepreneurial discovery process but they emphasize that prior information is needed to complement the new information in the discovery of business opportunities. In this respect, they are similar to Schultz who argues that human capital is an important determinant of entrepreneurial ability.

Casson (2003) tries to encompass both the Schumpeterian and the ‘Knightian’ definitions by arguing that entrepreneurs are individuals who specialize in decision making. The Schumpeterian entrepreneur applies information about inventions to create new combinations and is ultimately the one who decides if the new combinations are profitable.

5.1 Modern theories of entrepreneurship

New classical growth models do not derive growth and that they do not succeed in bringing population and households into the scene. To break through the development trap, a mathematical concept- ‘open set’ is used. The approach of the open set unleashes the power for unlimited growth. In addition to productive entrepreneurs, it also describes the behaviors of those unproductive and destructive ones. These latter ones are responsible for many financial crises, including the current mortgage-back crisis. (Hak Choi, Nov.2008).

The theory of entrepreneurship and the economic theory of the firm thus have much to learn from each other. A good theory of entrepreneurship should explain the conditions under which entrepreneurship takes place: the concept of entrepreneurship as judgment provides the clearest link between entrepreneurship, asset ownership, and economic organization. Similarly, the economic theory of the firm can be improved substantially by taking seriously the essential heterogeneity of capital goods and the subsequent need for entrepreneurial experimentation.

5.2 Management Economic Theories

Management practices can facilitate such resource recombinations. Top management can design several aspects of the firm in more or less entrepreneurial ways (Brown & Eisenhardt, 1998; Eisenhardt & Martin, 2000). A framework can be developed that addresses the degree of entrepreneurship in firm's management practices along several different dimensions. A company's management practices range along a spectrum from highly entrepreneurial to highly administrative. A "promoter" characterizes the entrepreneurial side of the spectrum and a "trustee" characterizes the administrative side (Stevenson, 1983; Stevenson and Gumpert, 1985; Stevenson and Jarillo, 1986; 1990). The promoter's sole intent is to pursue and exploit opportunities regardless of resources currently controlled, while the trustee aims to efficiently use the resources currently controlled. Stevenson's original description of entrepreneurial management consists of six different dimensions: Strategic Orientation, Commitment to Opportunity, and Commitment to Resources, Control of Resources, Management Structure and Reward Philosophy (Brown et al., 2001).

5.3 The Entrepreneur in Economic Modeling

The economic models focused on the Knightian ideas of risks bearing, individuals are modeled as being heterogeneous with respect to risk aversion (Kanbur, 1979). Other discourse assumes that individuals have identical abilities, but differ in their perception of the risks involved in owning a business; the overly optimistic individuals become entrepreneurs (Meza and Southey, 1996). Entrepreneurial skills are a sort of human capital that can be acquired through practices such as education. While many of the general theories of entrepreneurship from the previous sections focus on a role of the entrepreneur that goes beyond that of business owner or an input in the static production function, most mathematical models of entrepreneurship treat it exactly as this. The endogenous Growth theory models supports Schumpeterian models that the reward and inducement to innovations and risk taking in entrepreneurial activities is profit (Aghion and Howitt, 1997).

6. Application of Entrepreneurship to Developing Countries

This section critically analyses the theories with particular reference to the theories application to the Kenyan entrepreneurships.

6.1 Similarities of some theories and their application to Kenya's context

The interest of any developing nation today is surely to maximize entrepreneurship among its people. Defenders of the market economy tend to point to certain nations which they believe represent a success-story for free markets. They point to places like Hong Kong, Switzerland, Taiwan, South Korea, Japan, Singapore, and the United States etc. The odd thing about this list is that many on it have a system that departs a long way from free-market capitalism. Some are or have been highly authoritarian states with pervasive central planning (e.g. Japan, Taiwan and Singapore). Such states certainly are among the world's economic success stories of recent times but free-market capitalism is scarcely what they have in common. What they do have in common, however, is sufficient freedom to offer the prospect of relatively huge profit to entrepreneurial individuals. They also provide a climate (including real concessions) wherein business optimism can reach even new heights (Gilder, 1980).

The similarities between Kirzner's and Schultz' theories on one hand and Schumpeter's on the other also appear substantial, especially with respect to the tasks performed by the entrepreneur. All three theories recognize that the entrepreneur identifies or discovers business opportunities. While Schultz defines opportunities generally, these are characterized more narrowly by Schumpeter as innovations, which move the economy away from equilibrium. Under Kirzner's and Schultz' disequilibrium assumption, opportunities arise when information is revealed. Individuals react to these opportunities by changing behavior and acting differently. This process can be compared to the Schumpeterian innovative process that also involves doing things differently. (Kirzner, 1985, 1997).

Kenya’s entrepreneurs also exploit available opportunities, are risk takers and innovators to some extent although Schumpeter (1999) and Drucker (1985) would classify them as creative imitators and imitators respectively.

Kenya being free market capitalism, it can only borrow the concept of huge profits as an antecedent to entrepreneurial innovation and start up of entrepreneurial venture. In such cases what commonly happens is that the huge profits achieved are ploughed back into the business as capital for expansion. The business grows, becomes bureaucratized, loses its initial advantage as competitors copy its methods and ends up again as a very ordinary enterprise with very ordinary profits. Even so, of course, the generation and deployment of capital entailed in this process is very beneficial to the national economy concerned. Enterprises are delicate adventures and without the support of the government new enterprises cannot take off. Markets are unstable and unpredictable and the government should be perceived to be business supportive rather one that stifle business. The Kenyan government should provide an enabling environment to entrepreneurs with a view to inculcating entrepreneurial culture in Kenya. This can be done through review of the education curriculum, giving subsidies to the entrepreneurs, establishing pro business policies and finally initiate mechanisms that are credit borrowing friendly in the women fund and the youth fund to make it more accessible to the intended users.

6.2 Application of the theories to Kenya’s entrepreneurship

Theories of entrepreneurship are mainly designed to answer the questions: (i) how does a market system work? (ii) What is the relationship between entrepreneurship and profit? Marshallian theory which indicates the existence of perfect information and perfect competition assumptions fails to answer both questions accurately because Kenya’s economy is not in a state of static equilibrium, it keeps on changing, hence a dynamic orientation. The Marshallian model indicates the non-existence of excess profits and does not distinguish entrepreneurship from routine production process. The Schumpeterian analysis is the closest to the reality regarding the work of Kenya’s capitalistic market system and creation of profit. He also gives great importance to individual innovations. Kenyans being individualistic people, Schumpeter’s’ theory fits well into the country’s economic context.

Although many economists accept the idea that entrepreneurs are innovators, it can be difficult to apply this theory of entrepreneurship to less developed countries (LDCs). Often in LDCs, entrepreneurs are not truly innovators in the traditional sense of the word. For example, entrepreneurs in LDCs rarely produce brand new products; rather, they imitate the products and production processes that have been invented elsewhere in the world (typically in developed countries). This process, which occurs in developed countries as well, is called "creative imitation" (Drucker, 1985).

Drucker's term appears initially paradoxical; however, it is quite descriptive of the process of innovation that actually occurs in LDCs. Creative imitation takes place when the imitators better understand how an innovation can be applied, used, or sold in their particular market niche (namely their own countries) than do the people who actually created or discovered the original innovation. Thus, the innovation process in LDCs is often that of imitating and adapting, instead of the traditional notion of new product or process discovery and development (Hak choi, 2008).

7. Conclusion

Throughout the evolution of entrepreneurship theory, different scholars have posited different characteristics that they believe are common among most entrepreneurs. By combining the above disparate theories, a generalized set of entrepreneurship qualities can be developed. In general, entrepreneurs are risk-bearers, coordinators and organizers, gap-fillers, leaders, and innovators or creative imitators. Although this list of characteristics is by no means fully comprehensive, it can help explain why some people become entrepreneurs while others do not. The theories of entrepreneurships attempts to link entrepreneurship and profits. However, researchers like Schumpeter and Marshall who view an entrepreneur as an innovator fail to link the process of innovation and entrepreneurship in a situation whereby a new product/process/service has been introduced and profit is not realized.

The gurus of innovation argue that an experiment may fail but one has to keep on trying until success is realized. The theorists in entrepreneurship fail to classify this type of an innovator who experiments and may one day succeed in making profits because entrepreneurship is about commitment, patience and risk taking. The models also fail to take cognizance of the break-even concept- that not all businesses realize profits immediately at start-up points. Some take time before the break-even point is met and final profits realized. The question therefore asked is "when should we start categorizing an innovator as an entrepreneur?" While it is recognized that information grants an entrepreneur the power to seize a profitable opportunity from the theories of Schultz, Shane and Venkataranam, the models fail to outline mechanisms of accessing this information and its final implementation to the process of yielding profits. Yet still, information 'per se' can not yield a business venture. A case in point is the Kenyan university or polytechnic graduate who looks for formal employment but has a wealth of knowledge in entrepreneurship, but due to cultural practices, government policies, banking policies and the stereotype on entrepreneurships is unable to tap the information he/she has to commercialize the theories and venture into entrepreneurial practice.

The Schumpeterian analysis is the closest to the Kenya situation. Kenya being a free market economy whose citizens are very individualistic, they can borrow a lot from Schumpeter's approach, although this approach over emphasizes on the individualistic aspect and ignores the existence and success of family businesses in Kenya which reveals that generations, previous failures, team work can be an anecdote to innovation Schumpeter's approach also ignores the existence of culture and biological influence to start up and success of innovation espoused in the biological, social and sociological schools. Research has revealed that innovation culture is a prerequisite to entrepreneurship and innovation is part of risk taking. Risk averters can never be entrepreneurs but optimistic risk bearers make it to be innovators. This is not explained by Schumpeter.

Knightian and Kirzner entrepreneurships may be applied after business start-up, but what happens before the business start-up is not mentioned. Say's theory exists before and after business start-up, entrepreneur as the manager. The Knightian entrepreneur is an insurance agent, he equilibrates when there is an economic shock like what happened in the year 2008 to 2009 due to existence of global economic meltdown through providing goods and services needed. Kirzner moves the economy into equilibrium that is non- existent. Economies are never static and therefore equilibrium point can never be attained. While the modern theories try to capture the power of unlimited growth by using mathematical models to explain entrepreneurship behavior; the study of organizational behavior reveals that human behavior is complex and unpredictable that cannot be explained by a model which tends to simplify and omit certain aspects of behavior such as emotions which may not fit well in a model. If Kenya's entrepreneurs can borrow from some theories and development of entrepreneurship in the developed countries through improving on the various policy areas and their entrepreneurial culture then Kenya can be an economic hub not only in the East African region but also in Africa.

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