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Evolution of Entrepreneurship theories through different schools of thought

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Abstract

In the early days Entrepreneurship as a phenomenon which was of interest only for Economists. Early references of the term Entrepreneurship was from the economists Richard Cantleton (1755), and Jean Babtiste Say (1803).

Neoclassical economists correlated entrepreneurship to the market economy where demand-supply and rational thinking were the deciding factors of entrepreneurship. In early 20th century economists like, Hawley(1907), Knight (1921), shared this neo-classical view.

Later discussions centered around entrepreneurial risk, learning, decision making in the face of uncertainty, and cognition of entrepreneurs. Shumpeter (1928), Heyek(1948), Mises (1949), Leibenstein(1968), Shackle(1970), Krizner (1981), Cason(1982) and Choi(1993) Haroer(1996), Drucker(1986) etc., have contributed in different ways providing different angles of view of the risk, uncertainty, learning and decision making patterns of the economic agents.

In parallel with economists, sociologists and psychologists also were attracted to the phenomenon of entrepreneurship. Sociologists like Weber (1922), Cole(1949), Cochran(1949), Jenks(1949), went into the entrepreneurial history. Hoselitz(1971), Young(1971), looked into social marginality, Hannh & Freeman(1977), Thornton(1999), Aldrich & Martinez(2001), Stam(2002), have developed the theories of evolutionary approaches, Glade(1967), Greenfield & Strickon (1981) Gardner(1985), situational approaches, and Chell (2000) developed social constructionism.

Psychologists like McClelland (1961) and Hagen(1962) developed traits theories and Rotter(1996), Gilad(1982) and Kets de Vries(1977) developed theories on locus of control.

In the given paper, a humble effort is made to crystallize an understanding of entrepreneurship by viewing through various angles in the environment of differing theories on entrepreneurship

1. Introduction

Most people recognize the term *entrepreneur*, as meaning someone who organizes and assumes the risk of a business in return for the profit. The theories on the phenomenon ‘entrepreneurship’ had been a matter for controversy among theoreticians and academicians ever since the term was introduced by Richard Cantillon in 1755. After its initial appearance in economics, it disappeared for a long time from the attention of economists since the neo-classical economics supported the concept of perfect competition and perfect information, where the concept of the (risk taking and innovative) entrepreneurship did not have a role. Even so the concept of entrepreneurship was never fully out of the main stage. Although different economists have emphasized different facets of entrepreneurship, all economists who have written about it agree that, at its core, entrepreneurship involves judgment. But if people have perfect information, there is no need for judgment. Fortunately, economists have increasingly dropped the assumption of perfect information in recent years. As this trend prevails, economists have to allow the role of the innovative entrepreneur in their models.

Where the economists were in philosophical disarray, the baton of the concept, entrepreneurship, was taken up by sociologists and psychologists. The progress of sociologists and psychologists in the theorization of entrepreneurship has not been as organized as economists due to the differences in the methodology chosen in different sciences as well as the different aspects of the same subject viewed by different scientists. Behavioral and social aspects are alien to economists, and that is where the psychologists and sociologists could make their contributions. In fact the study of entrepreneurship will be incomplete without the contributions of economists, sociologists, psychologists and other social scientists.

In the given context an effort is made to view the evolution of various theories on the ‘controversial’ topic “entrepreneurship” from the differing points of views of different generations and schools of social scientists.

2. The Entrepreneur in Economics

Table-1: Economic Theories of the Entrepreneur

	Early and Classical	Mainstream	Austrian	Radical
18th and 19th Century	Cantillon 1755 Turgot 1766 Baudeau 1771 Say 1803 Marshall 1881			
1900-1933	Howley 1907	Knight 1921		Schumpeter 1928
1934-1966			Mises 1949 Hayek 1937	

1967-2004		Bumol 1968 Casson 1982	Schakle 1970 Krizner 1981 T. W. Schultz 1975	Choi 1993 Harper 1996
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Source: partly from Kalantaridis, 2004

Richard Cantillon, 1755: Cantillon was the earliest in the history of Economics who identified the role of Entrepreneur in economy. He stated, 'Entrepreneurs work on uncertain wages, whether they establish with or without capital.' (Cantillon, 1755) Cantillon included beggars and thieves in his definition of entrepreneurs, as these were not working for an employer and therefore faced economic uncertainty.. He classified the economic agents into three groups: (1) landowners (2) entrepreneurs and (3) hirelings. He identified the first and the third group as being rather passive; He found that the entrepreneurs play the central part. They play the role of the coordinator connecting producers with consumers, and, additionally, the role of the decision maker engaging in markets to earn profits and struggling with uncertainty.(Kalantaridis, 2004, Grebel et.al.,2001)

Jacques Turgot 1766: According to Turgot, the entrepreneur is the outcome of a capitalist investment decision: The owner of capital either can simply lend his money and just be a capitalist, or decide to buy land for lease and, hence, become a landowner, or he decides to buy goods to run a business and thus become an entrepreneur automatically.(Grebel et.al.,2001,). Turgot's capitalist was a capitalist-entrepreneur. He not only advanced savings to workers and other factors of production, he also, bore the risks of uncertainty of the market (New World Encyclopedia, 2006)

Nicolas Baudeau 1771: Baudeau was the first to suggest the function of the entrepreneur as an innovator and thus brought invention and innovation into the discussion. Furthermore, he emphasized the ability to process knowledge and information, which makes the entrepreneur a lively and active economic agent. (Grebel et.al, 2001)

Jean Bapiste Say, 1803: Say continued Turgot's ideas and elevated the entrepreneur to a key figure in economic life (Grebel et.al.,2001) . Say identified tripartite division: (1) Philosopher who identifies theory, (2) the entrepreneur who makes application by creating useful products and (3) the workman who supplies manual labour (execution). Entrepreneur coordinates and combines the factors of production. where inputs and markets are to be successfully combined, and also with other factor markets of raw materials, labour, land, plant and equipment. In return for this coordination, s/ he earns wages which can be theoretically differentiated from the interest earned by the capitalist (Kalantaridis, 2004).

Say was the first to distinguish the function of entrepreneur and capitalist. Say also identified the role of uncertainty. He realised that it is the uncertainty that makes the role of entrepreneur difficult. (Kalantaridis, 2004). In this sense, Say paved the road to Schumpeter's theory on entrepreneurship. (Grebel et.al, 2001)

Alfred Marshall 1881: Alfred Marshall, devoted attention to the entrepreneur. Marshall introduced the innovating function of the entrepreneur by emphasizing that the entrepreneur continuously seeks opportunities to minimize costs (Iversen et.al., 2008)

Frederic Barnard Howley 1907: Howley attempted to integrate entrepreneur in the classic theory. The enterpriser has the key function of production process—decides what to do in using the means of production. But at the same time he operates in uncertainty, therefore assumes the responsibility for production. Howley conceptualized the enterpriser as the motivator and uncertainty bearer who will decide what shall be produced how much of it and by what method in order to attain his/her own ends.

Howley's work thus constitutes an intermediate stage between Cantillon and Knight.

Joseph Alois Schumpeter 1928: Schumpeter revolutionised the horizon of Economics by introducing the novel concept of Creative Destruction by Entrepreneurship. He defined Entrepreneur as the innovator, the individual who introduces new combinations of production factors.

Schumpeter opposed the existing views of the entrepreneur as a risk bearer and a manager of a company. Instead, Schumpeter argued that an entrepreneur is an innovator--an individual who carries out one of the following five tasks: (1) the creation of a new good or a new quality; (2) the creation of a new method of production; (3) the opening of a new market; (4) the capture of a new source of supply; or (5) the creation of a new organization or industry (Schumpeter, 1949, p. 66,). Anyone who does this as an **individual** or as **director** of an organization is an entrepreneur. The innovation replaces the old and destroys the equilibrium (creative destruction). Innovations are made by talented entrepreneurs who enjoy greater profits.

Schumpeter detached risk from entrepreneur and assumed that it is the function of capitalists and/or the banking sector.

Frank Knight 1921: The contribution of Knight was distinguishing between uncertainty and risk and relating them to profit and entrepreneurship. Risk can be covered with some kind of insurance. But uncertainty is ubiquitous aspect of business decisions because production takes some time. Decisions regarding inputs should be taken now in order to create output in future. The household make spot payment for the services. But they are not ready to commit their resources for future demand because they anticipate unforeseeable changes.

The presence of uncertainty leads the economic agents to voluntary specialization of decision making on the basis of (1) their knowledge and judgments, (2) their degree of foresight, (3) their superior managerial ability (foresight and ability to control others) and (4) their confidence in backing their judgment with actions. Entrepreneurs can foresee the future, develop correct hypothesis, and take responsibility and control.

Austrian School and the Process of Entrepreneurial Discovery—Mises—Hayek—Krizner

The Austrian School is a heterodox school of economic thought that emphasizes the spontaneous organizing power of the price mechanism. Its name derives from the identity of its founders and early supporters, who were citizens of the old Austrian Habsburg Empire, (Wikipedia)

Austrian School provides the most coherent and suggestive theoretical constructs in entrepreneurial Studies.

Ludwig von Mises 1949: Mises defined entrepreneur as the acting individual. Entrepreneur is the economic agent who applies reason to changes occurring in the market. This conceptualization of entrepreneurship is inclusive encompassing all action in the market economy that is human.

Mises considered the entrepreneurial actions as the manifestation of his mind, as a special quality of man to transform the raw material of sensation into perception and perception into an image of reality. It is this power of intellect of man that provide the faculty of seeing more in the world.

Misesian entrepreneur is driven by the structure of his mind and experiences.

Friedrich Hayek 1937: Hayek was the disciple of Mises, and he following Mises, developed the price theory. Hayek focused on information and knowledge rather than the issue of entrepreneurial decision making. He tried to understand how individuals successfully coordinate their actions, involved in complex expanding division of labour with only local and idiosyncratic knowledge. Key element of his thought on learning process was the problem of division of knowledge, i.e., different economic agents knew different things.

G. L. S. Shackle 1970: Shackle emphasised entrepreneurship to decision-making. He was a student of Hayek. His theoretical construct is more radical and close to that of Schumpeter. According to him past is irrevocable and future is unknowable. Like all humans, businessman is prisoner of time, unable to derive certainties for the future, and to reverse or repeat events that happened in the past. It is not knowledge but the uncertainties caused by the effect of time on decisions of economic agents.

Israel Kirzner 1997: Israel Kirzner based the theories of Mises and Hayek to establish his theory. He emphasised entrepreneurial discovery in the phase of disequilibrium.

Kirzner rejected the equilibrium theory and 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. (Grebel et.al.,2001)

Entrepreneurial alertness is therefore an attitude of receptiveness to, available, but hitherto overlooked opportunities. Each discovery is a sense of surprise of what the entrepreneur had previously overlooked. This previously unthought-of knowledge is the result of entrepreneurial boldness and imagination in a market defined by 'Knightian uncertainty'. (Kalantaridis, 2004)

T. W. Schultz 1975: Schultz recognized that markets do not automatically and instantaneously regain equilibrium following an exogenous shock. "Regaining equilibrium takes time, and how people proceed over time depends on their efficiency in responding to any given disequilibrium and on the costs and returns of the sequence of adjustments available to them. (Klein & Cook, 2006)

Schultz 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. (Iversen, 2008)

The Revival of Interest in the Entrepreneur in the Mainstream Economics

There was a revival of scholarly interest in the mainstream of economics in the entrepreneur and his/her decision making process. Following are some of the important theoretical constructs which have emerged under this category.

William Baumol 1995: Baumol distinguishes between two entrepreneurial prototypes: 1. Firm organizers who create, organize, and operate a business enterprise. 2. Innovative and entrepreneurial as conceptualised by Schumpeter. The former can be analysed using the conventional tools of price determination in perfectly competitive, or contestable markets. Schumpeterian entrepreneur does not fit into neo classical theoretical concepts. Baumol pointed out that the discovery of the attributes of an entrepreneurial personality is promising but is outside the purview of economic theory. In his earlier work Baumol had developed the thesis that entrepreneurship is present in all economic structures, but the manifestations of it vary. In some case it is unproductive or even parasitical, and damaging to the economy as a whole. (Kalantaridis, 2004)

Mark Casson 1995: Casson did an eclectic synthesis developing an economic theory of entrepreneur that fits alongside neo-classical constructs. He also developed the modern economic theory of entrepreneurship through a synthesis of the ideas of Joseph Schumpeter, Friedrich Hayek and Frank Knight. According to this theory, successful entrepreneurs demonstrate good judgment in making risky innovations, and are rewarded through either profits or salaries depending on whether they act as owners or managers of their firms.(Wikipedia). He acknowledges the significance of emotional rewards and cost of accessing information, while remaining detached from the idiosyncrasies of Schumpeter and Krizner.

Young Back Choi 1993: Young Back Choi advanced an alternative to the analysis of the decision making of human agency: Uncertainty and Entrepreneurial Decision Making

Choi identify four sources of uncertainty: 1. Relative complexity of calculation in decision making and the decision makers capability for calculation in relation to the decision area. The agent may not be able to consider all possible outcomes before taking a decision.

2. Unpredictability of the future. This is due to the fact that there are factors beyond the control of the economic agent. And the regularities observed in the past need not continue in the future.

3. Interdependence of human actions

4. The mental process of individual economic agent, and the fact that s/he is not omniscient (all-knowing).

Choi supplemented the mainstream theory which distinguishes decision making into perception/logical choice—understanding a situation with enough confidence to support action.

D. H. Harper 1996: Harper was Student of Casson; according to him learning process is crucial to most of the phenomena that economists seek to explain. He develops a dynamic theory on entrepreneurial learning.

He defined Entrepreneurship as ‘profit seeking activity aimed at identifying and solving ill-specified problems, structurally uncertain and complex situations. It involves the discovery of and creation of new end-means frameworks, rather than the allocation of given means in the pursuit of given ends. Entrepreneur is an agent who seeks to break outside the established routine and the framework of ideas.

Harper stresses rational and critical aspects of entrepreneurship, which are prerequisite for acquiring knowledge.

3. Non-economic Theories of Entrepreneur

Table-2 Theories on Sociology and Psychology of the Entrepreneur

	Sociology of the Entrepreneur	Psychology of the Entrepreneur
Mono-casual Constructs	Weber (1922) <i>Entrepreneurial History</i> <ul style="list-style-type: none"> • Jenks (1949) <i>Social Marginality</i> <ul style="list-style-type: none"> • Sombart (1911) • Hoselitz (1963) • Young (1971) <i>Evolutionary Approaches</i> <ul style="list-style-type: none"> • Hannah & Freeman (1997) • Thornton (1999) • Aldrich & Martinez (2001) • Stam (2002) 	<ul style="list-style-type: none"> • McClelland (1961) • Hagen (1962) <i>Locus of Control</i> <ul style="list-style-type: none"> • Rotter (1966) <i>Psychodynamic Model</i> <ul style="list-style-type: none"> • Kets de Vries (1977)
On the interface between agent and context	<i>Situational Approaches</i> <ul style="list-style-type: none"> • Glade (1967) • Greenfield and Strikon (1981) • Gardner (1985) <i>Social Constructionism</i> <ul style="list-style-type: none"> • Chell (2000) 	

Source: partly from Kalantaridis, 2004

4. The Sociology of the Entrepreneur

The Pioneering Work of Max Weber 1904-06: Weber did a wider research exploring origins of economic consciousness and specific contents of religious faith, drawing comparison between capitalistic and non-capitalistic societies.

Webber brought out the theory that entrepreneurs with social background as protestants were influenced by the religious belief: it stresses the goodness of work—the individuals work is regarded as ‘calling’—literal concept of vocation. Financial rewards are considered as God’s

blessings. Protestant values called for self-restraint, and the accumulation of productive assets. The transformation of drive provided by protestant ethics to entrepreneurial ventures on account of experimental science, rational authority streaming from Roman law and rational govt. administrations.

Weber distinguished capitalistic entrepreneur from his predecessors. The capitalistic entrepreneur is involved in a rational and systematic pursuit of economic gain, calculations based on economic criterion, extends trust through credit, subordinate consumption in the interest of capital accumulation. Rationalisation of every aspect of entrepreneurial pursuit (defined as instrumental rationality) makes capitalist entrepreneur different.

Leland Jenks 1949: Jenks proposed theorization of entrepreneurial roles in society. He defined the roles as probable action patterns of social contexts. These roles are learned by individuals during childhood experiences and in the context of other adult roles. No two roles are identical as the two personalities are different. Jenks identified four roles:

First is the agent's perception of the expectation that other individuals have of him/her during the process of social interaction. Second involves learning by reward/punishment for appropriate /inappropriate responses respectively. Third is the adaption of role models. Fourth is recognition of socially available roles into new combinations. The fourth one offers scope for diversity and change both between personal roles and personal and social roles. The solution in the latter situation may take the form of distinctive phrasing of the role, which, if socially accepted, may end in modification of the social role.

Social Marginality

The influence of social marginality upon the emergence of entrepreneurship is viewed as very strong.

Sombart 1911: According to Sombart (1911) creativity and the ability to break social values associated with entrepreneurship is more frequent among marginal and minority groups. Non-acceptance in societies within which they live, enables individuals, to avoid traditional values, and norms, that regulate economic behavior. Hoselitz (1963) and Young (1971) provided theoretical base which were proven empirically in 1980s and 90s. (Kalantaridis, 2004)

Bert F. Hoselitz 1963: Hoselitz was influenced by the work of Sombart by the observation that minority groups like Jews, and Greeks, in Europe, Lebanese in West Asia, Chinese in Southeast Asia, and Indians in S. Africa, become successful entrepreneurs because of their ambiguous position.

F. V. Young 1971: Young referred to group solidarity, reactive when (1) group experience low status recognition, (2) denial of access to important social networks and (3) and it possesses a greater range of institutional resources than other groups in society at the same system level.

Evolutionary Approaches

M. T. Hannan and J. H. Freeman, 1977: Hannan and Freeman brought out an evolutionary approach known as Population Ecology focused on presence, characteristics, and changes in a

population of organizations in an ecological context provided by the host society. Research concentrated upon integrating the outcomes of entrepreneurship and process that led up to these outcomes and the social context in which entrepreneurship occurs.

Patricia Thornton 1999: Patricia Thornton used population ecology to gain an understanding on entrepreneurship as a social class (group). She defines entrepreneurship as the creation of new organizations which occurs as a context-dependent, social and economic process. (Thornton, 1999)

Eric Stam 2002: Stam's work focused on individual rather than groups. Evolutionary and institutional analysis were combined with time-geography derived by economic geography. In addition to entrepreneurial personality and creation of organization, he examined entrepreneurship as a contextual phenomenon. This enabled to perceive entrepreneurs as individuals who acted within certain social and physical context, living at certain concrete times and places. When, where, and in what order something happens, affects how it happened.

Howard E. Aldrich 1999: Aldrich efforts to explore the changes that happen to organisational behaviour because of wilful efforts of the economic agents who have developed the organisation to change the organisation to enable it to attain expected results for the actions that the economic agent has undertaken.

5. Psychology of the Entrepreneur

David C. McClelland 1961: McClelland's work was influenced by Weberian protestant ethics in which an intermediating psychological dimension is introduced. McClelland stressed the importance of Middle childhood as the formative period of entrepreneurial attitudes. Parents imposing high standards of excellence in early childhood, allowing him to attain them without interference, and real emotional pleasure in his attainment short of overprotection and indulgence, is the environment which helps to develop entrepreneurial mindset. This develops in certain individuals, a need for achievement: which indicates little interest in routine as well as high risk tasks; desire for tasks of moderate risks, where skill counts, desire for responsibility, and concrete measure of task performance. High need for achievement is the psychological factor that induces economic growth and decline. He proposed views to the effect that children of Western Industrialized societies and in contrast underdeveloped societies where fewer people with N-Ach.

Entrepreneurial pursuits represent the desired moderate risk situations, for individuals with high need for achievement, coming from lower/lower middle classes.

In his later contribution, he altered his stand on importance of child rearing practices, and he emphasized the arousal of latent need for achievement, typically associated with a new sense of superiority.

McClelland's works influenced entrepreneurial studies fostering a large amount of empirical research.

Hagen E. E. 1962: According to Hagen, entrepreneur is an individual, interested in solving practical and technical problem, and is driven by a duty to achieve. Entrepreneurs occupy the creative end of his personality dichotomy. The other end of the dichotomy is authoritarian, non-creative personality. Creative personality is the result of historical process that may go to several generations back. Up-bringing in traditional authoritarian families produce non-innovative personalities. Diminishing influence of the father's authority, and increasing influence of nurturing and protective mother resulting in emergence of individualism, and self reliance, favour creativity and entrepreneurial activity leading to entrepreneurial pursuits.

This theory explains the phenomenon that entrepreneurs frequently belong to ethnic or religious minority groups. Concerns are that whether authoritative-creative dichotomy and association between authoritarian personality and non-innovative behaviour applies in all contexts.

Rotter J. B. 1954—Locus of Control: Another exploration into the psychology of the entrepreneur is Social learning theory which suits the study of Entrepreneurial personality which analyses the interaction of individual with his/her environment.

The degree to which the economic agents believe in what happens to them is dependent on

- (1) their own behaviour and it is controlled by their own actions known as internal locus of control
- (2) it is contingent upon luck, chance, fate, or as under the control of powerful others etc. is known as external locus of control

It is empirically accepted that those with internal locus of control will give heightened alertness which is essential for incidental learning (recognition of opportunities) with spontaneous learning resulting into entrepreneurial behaviour. Those with external locus of control are assumed to be less proactive in entrepreneurial ventures.

Kets de Vries, 1977—Psychodynamic Model : A study into the psyche of the entrepreneur and in his psychodynamic model has made a conceptualise the entrepreneurial personality and has given a convincing explanation how it was formed. He recognised that there is no single entrepreneurial type and tried to understand the deviant Entrepreneur, close to Shumpeterian admiration.

Kets de Vries sees entrepreneur as tormented, scared by early childhood experiences, a loner, in isolation from his/her context, misfit displaced in own environment, a reject, a marginal man. The entrepreneur translates his anger, anxiety, and rebelliousness into innovative activity. He conceptualises the entrepreneur as highly complex with no resemblance to the 'economic' man.

Situational Approach

Dissatisfaction with the psychological and sociological constructs in explaining the entrepreneur led to the emergence of the situational approach. The following are some of the important ones among them.

Glade W. P. 1967: Glade advocates a shift of the study from the entrepreneur him/herself to the behaviour of the entrepreneur. Confronting entrepreneurial opportunity structures includes general economic, social, technological and political conditions. As these change over time, it provides new opportunities which some take advantage and others not.—an objective structure of given opportunity and a differential advantage based on the capacity of the participants.

Greenfield S. M. and Strickon A., 1981: Greenfield and Strickon developed a new theory based on 'learning by doing'. The individual fails to get successful outcomes from some alternatives due to lack of sufficient information or misjudge the situation. By omitting wrong selections and trying new selections, the economic agent attains his/her goals.

For understanding the importance of interaction and communication, Greenfield and Strickon introduce the term, 'symbols'. Symbols bring together communities, the definition and notion common to agents who participate in the community. Symbolic ability—language helps the agent to understand the events and situations that he has not directly experienced.

Gartner, W. B. 1985: Differing from the explanations developed by psychology and sociology of entrepreneur, Gartner developed a new discipline of thought on the ground that the differences between entrepreneurs and their ventures are more than the differences between entrepreneurs and non-entrepreneurs. Entrepreneurs are classified into patterns where by they are grouped sharing similar characteristics. He classified the variables of the entrepreneurship into a definite framework of four dimensions: individual, organisation, environment and process.

Social Constructionism

A very recent attempt to explore the interface between individual and context is research towards social constructionism. It has 2 principal disciplinary roots: social psychology and sociology, concerned with how individual and groups create their reality and make sense of it, the process of constructing the personality of individuals. Based upon this several scholars have attempted to explore the construction of entrepreneurial personality such as Bouchikki (1993), Chell (2000) and Fuller (2002).

Elizabeth Chell, 2000: According to Chell, what distinguishes entrepreneurs from non-entrepreneurs is their motivation for wealth creation and capital accumulation, as well as their ability to recognise opportunities and their judgement. In this context the future orientation of the entrepreneurial actions is readily acknowledged, as entrepreneurs 'envision a future and attempt to realize it. Thus the problem raised by the Austrian tradition has found solution different from Misses, Knight and Shackle.

The social Constructionist solution is concerned with how individuals create their reality and make sense of it. Entrepreneur emerges as an active economic agent and creates his own reality. Entrepreneur is simultaneously the driver of entrepreneurial process within a reality which sets limits on choice and action possibilities.

6. Analysis

The authors arranged the theoreticians of Economics, Sociology and Psychology in the chronological order of the origin of their theories, and school of thought. The highlights of the theories were put in the 4th column and key terms were identified and put in the 5th column. Then further a simple analysis was done by grouping of the key terms and taking the frequency analysis of the theories (Table 3-A to C).

Journal of Evolution of Entrepreneurship Theories through Various Schools of Thought

Table-3 A—Economics

Year	Author	School of thought	Highlight of Theory	Key terms
1755	Cantillon	Early and Classical	Entrepreneurs work on uncertain wages	Uncertain wages
1771	Baudeau	Early and Classical	Invention and innovation, process knowledge and information	Innovation, knowledge, information
1770	Turgot	Early and Classical	Entrepreneur is the outcome of a capitalist investment decision	Capitalist investment decision
1803	Say	Early and Classical	Entrepreneur coordinates and combines the factors of production	Factors of production
1881	Marshall	Early and Classical	Entrepreneur continuously seeks opportunities to minimize costs	Minimize costs
1907	Howley	Early and Classical	Enterpriser is the motivator and uncertainty bearer	Motivator, uncertainty bearer
1921	Knight	Austrian	Distinguishing between uncertainty and risk and relating them to profit and entrepreneurship	Uncertainty, risk, profit
1949	Mises	Austrian	Entrepreneur is the acting individual	Acting individual
1937	Hayek	Austrian	Focused on information and knowledge	Information, knowledge
1970	Schackle;	Austrian	Entrepreneurship and Decision-making	Decision making
1975	Schultz	Austrian	Entrepreneurship is the ability to deal with disequilibrium	Deal with disequilibrium
1997,	Krizner	Austrian	Entrepreneurial discovery in the phase of disequilibrium	Disequilibrium, Discovery
1968	Bumol	Mainstream	Distinguishes two prototypes of entrepreneurship: firm organiser and innovator	Firm organiser, innovator
1982	Casson	Mainstream	Successful entrepreneurs demonstrate good judgment in making risky innovations, and are rewarded through either profits or salaries	Judgment, risky innovation, reward
1928	Schumpeter	Radical	Innovation, creative destruction, detached risk from entrepreneur	Innovation, detached risk
1993	Choi	Radical	Distinguishes decision making into perception/logical choice	Decision making, perception, logical choice
1996	Harper	Radical	Profit seeking activity aimed at solving ill-specified problems, structurally uncertain	Profit seeking, solving problems,

			and complex situations	uncertain, complex situations
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Table-3 B—Sociology

Year	Author	School of thought	Highlight of Theory	Key terms
1904-1906	Weber		Entrepreneurship determined by religious concepts	Religious concepts
1949	Jenks	<i>Entrepreneurial History</i>	Development of entrepreneurship through Social roles	Social roles
1963	Hoselitz	<i>Social Marginality</i>	Social and ethnic minorities show high level of entrepreneurship	Social, ethnic minorities
1971	Young	<i>Social Marginality</i>	Resourceful, group solidarity, reactive due to low status recognition or denial to access	Group solidarity, low status recognition
1997	Hannah & Freeman	<i>Evolutionary Approaches</i>	Brought out evolutionary approach known as Population Ecology focused on presence, characteristics, and changes in a population of organizations in an ecological context provided by the host society	Evolutionary approach, Population ecology, population of organisations, ecological context, host society
1999	Thornton	<i>Evolutionary Approaches</i>	Defines entrepreneurship as the creation of new organizations which occurs as a context-dependent, social and economic process	Creation of new organizations, context dependent, social and economic process
2001	Aldrich	<i>Evolutionary Approaches</i>	Explore variation in organizational behavior on account of intentional actions of agents seeking solutions to actions	Explore Variation, organisational behaviour , intentional actions, seeking Solution to action
2002	Stam	<i>Evolutionary Approaches</i>	Focus on individual rather than groups. Evolutionary and institutional analysis are combined with time-geography derived by economic geography	Focus on individual, Evolutionary and institutional analysis, time geography, economic geography

Table-3 C—Psychology

Year	Author	School of thought	Highlight of Theory	Key terms
1961	McClelland		Entrepreneurial pursuits represent the desired moderate risk situations, for individuals with high need for achievement	Moderate risk solutions High need for achievements
1962	Hagen		Entrepreneur is an individual, interested	Solving problems,

			in solving practical and technical problem, and is driven by a duty to achieve	driven by duty to achieve
1966	Rotter	<i>Locus of Control</i>	Those with internal locus of control will give heightened alertness which is essential for incidental learning (recognition of opportunities) with spontaneous learning resulting into entrepreneurial behaviour	Internal/ external locus of control, incidental learning
1977	Kets de Vries	Psychodynamic Model	Study into the psyche of the entrepreneur and conceptualise the entrepreneurial personality and a convincing explanation how it was formed	Study Psyche of Entrepreneurial personality
1967	Glade	<i>Situational Approaches</i>	A shift of the study from the entrepreneur to behaviour of the entrepreneur	Behaviour of entrepreneur
1981	Greenfield and Strikon	<i>Situational Approaches</i>	A new theory based on ‘learning by doing’, introduce the term, ‘symbols’	Learning by doing, symbols
1985	Gardner	<i>Situational Approaches</i>	Entrepreneurs are classified into patterns where by they are grouped sharing similar characteristics	Classified into patterns Grouped sharing similar characteristics
2000	Chell	<i>Social Constructionism</i>	Entrepreneurs are distinguished from non-entrepreneurs by their motivation for wealth creation, capital accumulation, the ability to recognise opportunities and their judgement	motivation for wealth creation, recognise opportunities, judgement

Economics

In Economics, it was found that the term used with highest frequency is Innovation (5), followed by action/wages/ uncertainty/decision (4 each), risk (3), motivator/information/knowledge (2 each). This gives a brief idea about the focus of economic theories.

The Theoreticians of Economics were further grouped on the basis of the key terms and displayed in Table-4.

Table-4: Grouping of Economic Theorists according to the Key Terms

Key Terms	Theorists who defined them
Innovation	Baudeau (1771), Schumpeter (1928) Boumol (1968), Krizner(19970) Casson (1982)
Action	Marshall (1881), Mises (1949) Schultz (1975), Harper (1996)

Wages/Profit	Cantillon (1755), Knight (1921) Casson (1982), Harper (1996)
Uncertainty	Cantillon (1755), Howley (1907) Knight (1921), Harper (1996)
Decision Making	Turgot (1770), Shackle (1970) Casson (1982), Choi (1993)
Risk	Knight (1921), Casson (1982) Schumpeter (1928)
Coordinator/Motivator/Organiser	Say (1803), Howley (1907) Boumol (1968),
Information/Knowledge	Baudeau (1771), Hayek (1937)
Disequilibrium	Schultz (1975), Krizner (1997)

The above simple analysis shows the trend of Economic theories which is detailed below:

Innovation/discovery : The factor of entrepreneurship which was given highest stress was '*innovation/discovery*'. This started with early time economist Baudeau (1771), and Schumpeter (1928) made *innovation* as the central theme of his theory. Boumol (1968) distinguishes *innovator* as one prototype of entrepreneur, Krizner(1997) referred to it as *discovery*, and Casson (1982)referred to it as risky *innovation*,

Action: Next term used in the highlight of theories is the word equivalent to action. Marshall (1881) referred to entrepreneur as one who continuously *seeks* opportunity to *minimize* costs, which indicates *action*. Mises (1949) described entrepreneur as *acting* person. Schultz (1975) described entrepreneur as one who has the ability to *deal* with disequilibrium, where 'deal' indicates action. Harper (1996) indicates entrepreneur as one who *solves* ill-specified problems which again 'solve' indicates action.

Wages/profit: Another terminology of interest is that of profit/wages. Cantillon (1755) identified entrepreneur as one who work for 'uncertain *wages*'. Knight (1921) relates risk to *profit* of entrepreneurship. Casson (1982) referred to successful entrepreneurs as those who were rewarded through (either) *profit* (or *salaries*). Harper (1996) identified entrepreneurship as *profit* seeking activity.

Uncertainty: Cantillon (1755) started to identify entrepreneur with '*uncertain*' wages. Howley (1907) referred to entrepreneur as '*uncertainty*' bearer. Knight (1921) distinguished between '*uncertainty*' and risk. Harper (1996) referred to entrepreneur solving ill-specified problems in *uncertain/complex* situations.

Decision Making: Turgot (1770) remarked that entrepreneur is the outcome of capitalist investment *decision*. Shackle (1970) related entrepreneurship to *decision* making. Casson (1982) observed that successful entrepreneurs demonstrate good *judgment* in making risky innovations,

which is synonymous to decision making. Choi (1993) distinguished *decision making* into perception/logical choice.

Risk: Knight (1921) referred to distinguishing uncertainty and '*risk*'. Casson 1982 refers to '*risky*' innovation. Schumpeter (1928) detached '*risk*' from entrepreneur.

Coordinator/ Motivator/Organiser: Say (1803) describes that Entrepreneur '*coordinates*' and combines the factors of production. Howley (1907) described entrepreneur as '*motivator*'. Boumol (1968) referred to entrepreneur as '*organiser*'. These indicate the leadership role of entrepreneur.

Information/knowledge: Baudeau (1771) said entrepreneur process *knowledge* and *information*. Hayek (1937) focused on *information* and *knowledge* of entrepreneur

Disequilibrium: According to Schultz (1975) entrepreneurship is the ability to deal with *disequilibrium*, Krizner (1997) referred to entrepreneurial discovery in the phase of *disequilibrium*.

Sociology

Unlike Economics, theories on entrepreneurship in Sociology do not form simple patterns. sociological frameworks, an embeddedness perspective, ecological and institutional theories, and multilevel models could be used to integrate analyses of individual, organizational, market, and environmental characteristics in explaining how, where, and why new ventures are founded.

Sociology of entrepreneurship is a study of the relationship between group characteristics and development of business activity.

Weber viewed that the religious principles encouraged entrepreneurship, with the example of Protestant Christians. Warner Sombart observed that the same principle is more relevant to Jews (Sombart, 1911)

Jenks says that entrepreneurial personality emerges as the result of assuming of social roles in appropriate environments.

Hoselitz and Young speaks about emergence of entrepreneurship form social minority groups, either ethnic, or due to low status recognition

Hannah & Freeman, and Thornton, viewed development of entrepreneurship as a natural outcome of social evolution; Aldrich, sensed intentional effort to evolve solutions to actions; Stam says that the time, environment and sequence of occurrence determine the result.

Psychology

McClelland pointed out that the entrepreneur was one who have high need for achievement and ready to undertake only moderate risk solutions, whereas Hagen's opinion is that the

entrepreneur is driven by duty to achieve and is interested in solving problems. Achievement is a common factor in these two views.

Rotter connects the locus of control to entrepreneurial achievement and also connects the attitude to incidental learning.

Kets de Vries tries to explain the entrepreneur through the study of the psyche of the entrepreneurs and opines that it is translating the childhood anger, anxiety, and rebelliousness into innovative activity

The psychologists belonging to the School of Situational Approach, Glade shifts the attention to the behaviour of the entrepreneur, Greenfield and Strikon introduces the concept of learning by doing, and Gardner tried to group entrepreneurs based on their behaviour patterns.

Chell belonging to the school of Social Constructionism, says that entrepreneurs can be identified by their motivation for wealth creation and their ability to identify opportunities and their judgement.

7. Conclusion

Critique of Economic Theories on Entrepreneurship

Economists have used the concepts like Innovation, Action, Uncertainty, Decision Making, Risk, etc., to explain *entrepreneur*. 'Innovation' is found to be the most frequented term used by the economist theoreticians in the theories of *entrepreneurship*. It is beyond the purview of neoclassical economic theories. These terms are detached from core focus of economics and make it clear that mere economics is insufficient to explain the phenomenon, 'Entrepreneurship'.

Critique of Sociological Studies of Entrepreneur

Sociologists' approach is mono-casual and fails to generalise the theory to explain why all those who belong to their chosen classes like those belonging to selected religious/ethnic, social minorities etc are not entrepreneurs. Sociological studies fail to explain all aspects of entrepreneurship like explaining why all Protestants or those belong to marginal group do not pursue entrepreneurship.

Those belonging to the school of Evolutionary Approach try to explain the environmental conditions that favour entrepreneurship development.

Critique of Psychology of Entrepreneur

There is growing concern among scholars in the field of entrepreneurial studies regarding the venture of attempts to delve into the psychology of entrepreneur. It is felt by some that the research into the psychology of entrepreneur failed to produce a coherent and robust theory. (Kalantaridis, 2004)

At the same time it is not fair to say that research in psychology is in any way inferior, and move away from it since any study on entrepreneurial function needs a study into the psychology of the

agency or else it will make the entrepreneur into a ‘black box’. The change in the focus from psychology will hamper the study into entrepreneurial functions.

Psychologists’ approach in the early of was to understand the trait-based personality of the entrepreneur, the psychodynamic approach was to explain emergence of entrepreneur based on complexes developed in early childhood. Situational approaches try to study entrepreneur from the behavioural point of view.

Psychologists and sociologists have together tried to explain the social and cultural institutions, in the evolution of entrepreneurship and entrepreneurial learning which is more realistic in understanding entrepreneurship than the economists.

Entrepreneurship is a multifaceted phenomenon, which cannot be explained by the theories of any single school of thought or branch of science. An effective and productive collaboration of different human sciences are essential to understand the process of entrepreneurship

Figure-1: Different Theories in Explaining Entrepreneurship

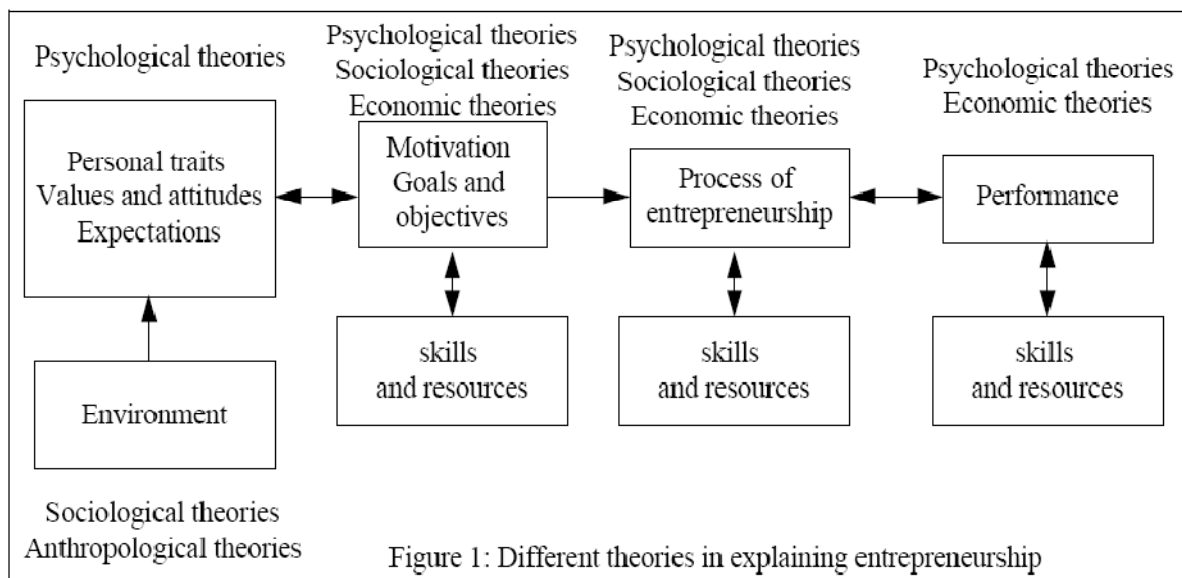


Figure 1: Different theories in explaining entrepreneurship

Source: Virtanen M, 1997, ‘The Role of Different Theories in Explaining Entrepreneurship’ (originally sourced from Herron, L. & Robinson, R. B. Jr. 1993)

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