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B25 **The role of different theories in explaining entrepreneurship¹**

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Abstract

This paper addresses the questions why it is difficult to explain and predict entrepreneurship by approaching the questions from former theories. The paper suggests that development of an approach where the motivation, why entrepreneurs decide to start a new venture, should be highlighted and taken into account when choosing the theoretical framework. Motivation is thought to act as framework in different economic and social contexts.

Considering the former research it is suggested that small businesses and new ventures could be classified into different categories that possess different antecedent variables and environmental characteristics (e.g. Vesper, 1980, Gartner et. al., 1989). Different theories of entrepreneurship give us already now a rich background where from to proceed in empirical analysis but different theories and different methodologies should be chosen according to context of the study.

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1. Introduction

A consistent universal theory does not exist in entrepreneurship, but rather it consists of several different approaches including psychology, sociology, anthropology, regional science and economics. No common theoretical framework, even if demanded for rigorously, exists to synthesize the different points of views.¹ Some trials to develop multidimensional approach to entrepreneurship study the problems also mainly from perspective of the above mentioned well-established disciplines (c.f. Johnson 1990).

In trying to combine economic and social context in the same multidimensional model we run into severe methodological difficulties. Many of these studies assume that all the entrepreneurs, including the owners of small businesses and high-growth innovative ventures, are similar. The problem in explaining and predicting the behavior of the group becomes from its large variability and heterogeneity that is difficult to measure and operationalize (e.g. Johnson 1990, Virtanen 1996, Koskinen 1996).

The diversity of entrepreneurial phenomena and new ventures should be taken into account in modeling entrepreneurship. Gartner et. al. (1989, 170) suggest that it would be desirable to look behind averages - there is no "average" entrepreneur and thus opportunity exploitation is more connected with doing things differently than following others (Gartner et. al. 1989, 184) - and not to overlook variation by classifying a wide range of entrepreneurs into homogeneous classes. This would provide a better understanding of entrepreneurship. Vesper (1980) and Gartner et. al. (1989, 183) emphasize the diversity among entrepreneurs and entrepreneur types. They try to identify the differentiating characteristics among entrepreneurs by developing a taxonomy. However, they also conclude that no single taxonomy captures all of the important differentiating variables. But more accurate differentiation in categorizing entrepreneurs gives us the possibility to combine different traditions and theories in approaching multidimensional phenomenon of entrepreneurship.

This paper addresses these questions by developing an approach where the motivation why entrepreneurs decide to start a new venture is a starting point. This motivation is thought to act as framework in different economic and social contexts. Considering the former research it is suggested that small businesses and new ventures could be classified according to Vesper (1980) and Gartner et. al. (1989) into different categories which possess different antecedent variables and environmental characteristics.

¹ Bruno & Tyebjee (1982, 307), Low & MacMillan (1988), Johnson (1990). It has been said that entrepreneurship research is at pre-paradigmatic phase where typical features are theoretical dispersion, existence of many competitive theories and schools of thought, lack of common starting points and unconsciousness of selection of rational research problems. Huuskonen (1992, 12). C.f. Niiniluoto (1983, 13-14).

1.1. Expectations, goals and objectives

Specifically the set of small businesses includes a wide variety of enterprises starting from self-employed and craftsmanship to innovative, high-tech oriented growth companies (e.g. Vesper 1980). These companies are vastly different even if they share some similar objectives. For a self-employed worker the main expectation and objective may be to employ him or herself and enjoy the decent level of income and standard of living. He or she is mostly interested in “participating the market” dimension, not in other dimensions of entrepreneurship. Her firm usually has no clear-cut growth objectives. Conversely, the main objective of an innovative growth-oriented company is, or should be, value creation, rather than growth directly as the attribute says. This value creation is achieved by combining skillful resources and building a successful management team to launch competitive innovation in a growing market. Thus, when the expectations and objectives of companies differ, so do the information and incentive structures and the decision problems.

The literature in new venture creation is descriptive and uses cases when examining the phenomenon from the viewpoint of the entrepreneur. It does not offer any theoretical background about why that kind of market exists nor what are the expectations and the decision criteria of an entrepreneur to participate the market. Demand-side analyses are mainly surveys and quantitative analyses of the relationship between actors in the market. For example this is described in venture capital market by Sapienza & Timmons 1989 and Sapienza 1992. Those companies acquiring venture capital have been presupposed to possess high growth aspirations. Lumme et. al. (1995) report that the growth-oriented companies are an efficient channel for creating new jobs.¹ Thus it is vitally important for society to develop the kind of infrastructure that supports effective, growth-oriented entrepreneurial activity. Understanding the expectations and behavior of entrepreneurs is necessary to develop the market. After all, the entrepreneur and his/her venture form the core of the entrepreneurial market. On the other hand, we should not forget the majority of small businesses that have different aspiration levels. Koskinen (1996) concludes that only 15 % of small businesses have growth objectives whereas the rest of the firms could be classified as stable, unstable or declining.

¹ Lumme et. al. (1995) suggest that a high correlation exists between profit expectations and employment expectations of growth-oriented companies, which underscores the importance of studying growth-oriented companies.

2. Psychological theories and the need for achievement

Psychological theories such as those developed by McLelland pay attention to personal traits, motives and incentives of an individual and conclude that entrepreneurs have a strong need for achievement (McLelland & Winter, 1971). A similar focus is found in locus of control theories that conclude that an entrepreneur will probably have strong internal locus of control (Low & MacMillan 1988, 147, Amit et. al. 1993, 821). This means that an entrepreneur believes in his or her capabilities to commence and complete things and events through his or her own actions.

Brockhaus (1982, 42-45) suggests that an internal locus of control, even if it fails to distinguish entrepreneurs, may serve to distinguish the *successful* entrepreneur from the *unsuccessful* one. How do we measure success of entrepreneur? Success is a relative concept that can also be measured differently in different contexts. If success is measured in relation to the fulfillment of the goals and objectives of a particular entrepreneur, self-employed could also be classified as successful if their businesses generate continuously a satisfactory (in relation to their goals) level of living. On the other hand, high-growth ventures may be considered unsuccessful if they are not able to offer high enough ROI to their investors.

Davidsson (1989, 210 - 211) states that achievement motivation is the most important factor contributing in explaining variation of growth rates and entrepreneurship. Shaver & Scott (1991, 31) believe that achievement motivation is perhaps the only convincing psychological variable associated with new venture creation. Why is it convincing? If the concept will be defined broadly as Murray (1938 "*Explorations in Personality*") it is no wonder, why Johnson (1990) found a relationship between achievement motivation and entrepreneurship in 20 of 23 studies. According to Shaver & Scott (1991, 31) Murray (1938) saw a need as a force "in the brain region" and the specific need for achievement was defined as:

"To accomplish something difficult. To master, manipulate, or organize physical objects, human beings, or ideas. To do this as rapidly, and as independently as possible. To overcome obstacles and attain a high standard. To excel one's self. To rival and surpass others. To increase self-regard by the successful exercise of talent".¹

This definition compared with the others includes the most characteristics listed above.

- Internal locus of control is included in "To master and manipulate physical objects, human beings, or ideas," in "To overcome obstacles and attain a high standard," and in "To excel one's self."
- High risk-taking propensity is connected with "To overcome obstacles and attain a high standard."

¹ Johnson (1990, 40), Shaver & Scott (1991, 31). Original reference from Murray (1938, 164).

- Tolerance of ambiguity is associated with “To accomplish something difficult.”
- High needs for autonomy, dominance, and independence coincide with “To master, manipulate, or organize physical objects, human beings, or ideas..as independently as possible.”
- The capacity for endurance or capability for intense effort is parallel to “To overcome obstacles and attain a high standard,” “To accomplish something difficult,” “To rival and surpass others,” “To do this as rapidly,” and to “To excel one’s self.”

In addition to the above traits, the definition of need for achievement includes traits as competitive mind (“*To rival and surpass others*”), self-consciousness, and an itch to self development and learning (“*To increase self-regard by the successful exercise of talent*”) (c.f. Sexton & Bowman 1985,134, Low & MacMillan 1988, 147, Amit et. al. 1993, 821).

In analyzing entrepreneurial behavior we should pay more attention to expectations, motives and incentives. “The forces in the brain region” (needs) foster expectations, motives and incentives to take some action. What kind of motives and incentives are required to enforce entrepreneurial activity? Why would someone start a new venture? The reasons, as well as the businesses, may differ from case to case. Thus, to systematically approach the question we should conceptualize the phenomenon into some controllable pieces and to define the concepts.

3. Definitions of entrepreneurship

In conceptualizing entrepreneurship we could differentiate between concepts 1) entrepreneur = individual actor in the market, 2) entrepreneurial = behavior in the market, and 3) entrepreneurship = combines the actor (entrepreneur) and the behavior in the market 4) entrepreneurial process = combines time dimension and behavior in the market. No commonly accepted definitions of the entrepreneur, entrepreneurial or entrepreneurship exist.

3.1 Entrepreneur

Gartner (1989, 48) considers the search for definition in trait approaches to be unfruitful and suggests that we should use behavioral theories. Since a definition is important, we have reasons for not accepting simplistic statement that “*the entrepreneur is the one who creates an organization.*” First, organizations are created all the time by people who are not entrepreneurs (e.g., political parties, associations and social groups). Second, when evaluating the ability to act as an entrepreneur, no signs suggest that creation of organization would be any kind of differentiating criteria. On the other hand, if certain traits imply and predict the behavior what difference does it make if we apply only behavioral theories. Traits and characteristics may be those intermediating variables that explain and predict entrepreneurial ac-

tivity and behavior. Several contributors in entrepreneurship literature have tested the existence of personality traits concluding that the traits are common also to several other groups of people (Low & MacMillan 1988, 147). For example, Amit et. al. (1993, 821 - 822) report problems of these studies and suggest that observed traits could be the result of learning through experience. They conclude that the interpretation of the outcome is difficult since these psychological traits do not distinguish the entrepreneur from the manager.

My argument is that if trait theories - even if they do not predict entrepreneurship - present characteristics common to most entrepreneurs, those individuals who do not possess these characteristics could be excluded (c.f. Miller 1988). Gartner (1989) argues that trait approach seeks to answer the wrong question: “*Who is an entrepreneur?*” He criticizes Carland et. al.’s (1984, 358) definition of entrepreneur: “An entrepreneur is an individual *who* establishes and manages a business *for the principal purposes of profit and growth*”.

However, a closer look reveals that the question could actually be stated as: “*Why does an entrepreneur start a venture?*” - which was stated as a failure of trait theoretic approaches in Gartner (1989, 47). Since the principal purpose of a venture is to add value through profit and growth, it has to be innovative to gain the so-called abnormal profit or economic rent that may simultaneously be a necessary condition for growth.¹ Thus the answer to *why* question is clear-cut: an entrepreneur *expects economic rents to be available in the future*.²

Hebért & Link (1989, 47) conclude that *entrepreneur is a person*, not a team, committee or organization. Their view is that this person has some comparative advantage in decision-making either because he or she will have better information or different perception of events or opportunities. They also argue that *entrepreneurial actions* are performed in all societies by individuals whose judgment differs from the norm.

Pickle & Abrahamson (1990, 5,9) introduce a compact definition of an entrepreneur: “An entrepreneur is one who organizes and manages a business undertaking, assuming the risk, for the sake of profit. The entrepreneur evaluates perceived opportunities and strives to make the decisions that will enable the firm to realize sustained growth.”

The latter sentence emphasizes the decision-making ability and growth objective of an entrepreneur. However, Pickle & Abrahamson’s definition does not include any process characteristics thought to be important at least in high growth ventures.

1 Abnormal profit could be defined as Ricardian rents which are excess profits of the firm resulting from exploitation of unique competencies and the capability to overcome barriers which hinder the exploitation (Lumme et. al. 1995, 2). Moreover, growth and profit expectations rather than actual quantities are decisive.

2 Sexton & Bowman (1985, 136) state that “The planned approach towards growth and profit is essentially strategic management practices coupled with innovative approaches to marketplace and the firm.”

3.2 Entrepreneurial mind

As the definition of entrepreneurial I would like to introduce Timmons (1994, 24) perception of entrepreneurial mind. He describes **entrepreneurial mind**, which means the **attitudes and behavior** of **successful entrepreneurs**, almost similarly as Murray (1938):

“They work hard and are driven by an intense commitment and determined perseverance; they see the cup half full, rather than half empty; they strive for integrity; they burn with competitive desire to excel and win; they are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter; they use failure as a tool for learning and eschew perfection in favor of effectiveness; and they believe they can personally make an enormous difference in the final outcome of their ventures and their life.”

3.3 Entrepreneurship

From the viewpoint of growth-oriented innovative companies, one of the best definitions of entrepreneurship is found in Ronstadt (1984, 28):

“Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique but value must somehow be infused by the entrepreneur by receiving and allocating the necessary skills and resources.”

The most essential part of this definition is how it defines incremental wealth of value creation as a result or goal of the process. This result is also parallel to need for achievement. While Ronstadt’s definition above includes such other trait theoretic characteristics of entrepreneurship as risk taking propensity and responsibility, a more complete view of these could be achieved by including the need for achievement as defined by Murray (1938) in the definition.

Thus, I will suggest the following multidimensional definition of entrepreneurship with specific emphasis on the entrepreneur as the main actor in the process: **Entrepreneurship is a dynamic process created and managed by an individual (the entrepreneur), which strives to exploit economic innovation to create new value in the market. An entrepreneur is a person, who has entrepreneurial mind with a strong need for achievement** defined as in Murray (1938).

The most interesting points of this definition are the purpose of value creation and the exploitation of economic innovation. The definitions of entrepreneurial process given below by Bygrave (1989) and by Bygrave & Hofer (1991) include some of the important characteristics, but lack perhaps the most important ones, namely the goal and purpose. Why does the entrepreneurial process take place? What is the purpose of entrepreneurial process or activity? I maintain that the goal of entrepreneurial activity is to **create value**. Creating value and exploiting innovation process-likely also implies the growth of a venture. Thus it should be emphasized that without any further attributes this definition does not suit for stable or declining companies.

It could be argued that Bygrave (1989, 9) supports the simple definition that “entrepreneurship is creating of organizations” by describing entrepreneurship as a **dynamic** rather than a static system, hence a process of becoming rather than a state of being, which includes **nonlinear** and **unstable discontinuities**. But he argues also that this process is a holistic one that cannot be analyzed partially by studying different pieces of the entity.¹ Thus when considering holistic process of entrepreneurship, we should be aware of that discontinuities do not happen all the time and able to identify discontinuous quantum jumps and their causes to understand entrepreneurship. Even if entrepreneurship were a science of **turbulence and change**, such would not necessarily mean continuous discontinuity. But compared with conceptual frameworks of institutional economics and transaction cost approaches, chaos and catastrophe theories emphasize characteristics of entrepreneurship. As Bagby (1988, 5) notes: “*Entrepreneurs capitalize on change, or even create it.*” Instability, turbulence and change would suggest entrepreneurship to be rather *becoming* than *existing*. The importance of both aspects should be pointed out in analyzing the entrepreneurial process.

3.4 Entrepreneurial process and event

Bygrave (1989, 28) and Bygrave & Hofer (1991, 14) define **entrepreneurial process** to involve “all the functions, activities, and actions associated with the perceiving of opportunities and the creation of organizations to pursue them.” This process possesses the following characteristics:

- It is a holistic, dynamic process initiated by an act of human volition and occurs at the level of the individual firm, it involves a change of state, numerous antecedent variables and a discontinuity, and its outcomes are extremely sensitive to the initial conditions of these variables.

¹ Bygrave (1989), p. 15 suggests that “A world of patterns within patterns, lagged edges, unpredicted behavior, sudden leaps, where the whole is more important than the constituents” to be a good metaphor for entrepreneurship.

Bygrave (1993, 257-258) and Bygrave & Hofer (1991, 14) emphasize the process character of entrepreneurship as well as discontinuity of the process. They define the characteristics of an **entrepreneurial event** almost similarly as entrepreneurial process but include also “creation of a new organization to pursue an opportunity” and an entrepreneur as “an individual who perceives the opportunity and creates an organization to pursue it.

Shapiro & Sokol (1982, 77) use the entrepreneurial event as their unit of analysis to avoid tying the concept to a particular kind of individual. The entrepreneur who generates the action may be used as an independent variable in the analysis. Shapiro & Sokol (1982, 78) define an entrepreneurial event to include initiative taking, consolidation, management, relative autonomy and risk-taking. This approach has its advantages but excludes the process character of entrepreneurship.

4. Entrepreneurship and sociological theories

To complement the definition of the entrepreneur the role of the entrepreneur could be described as Cantillon did (Murphy 1986, 255):

“The entrepreneur scouts around, he sniffs out potentially profitable ventures, he forms hunches, and he reacts quickly if his hunches prove incorrect - otherwise he goes out of business. He is the highly visible hand that ensures co-ordination between producers and consumers.”

The characterization of an entrepreneur’s role points out the meaning of environmental context (scouts around). This links different approaches to different environments that provide profit potential for different ventures. Thus the entrepreneur’s role as the *highly visible hand* depends on the environmental (social) context. Johnson’s (1990) study refers to the sociological perspective of entrepreneurship by proposing that a detailed description of the environmental context is required before achievement motivation research will make further progress.

Reynolds (1991, 61-62) states that the inability of trait theories to predict entrepreneurship could result from the ignorance of social context and choices confronting the individual when the decision is made. Thus describing situations where seizing the opportunity to be an entrepreneur takes place will be useful. In addition to sociological entrepreneurship theories opportunity recognition could be described by anthropological theories. Anthropological entrepreneurship studies concentrate on social and cultural processes. The outcome, and the degree of entrepreneurial activity depend on opportunity structure. Opportunity structure consists of “*both objective structure of economic opportunity and a structure of differential ad-*

*vantage in the capacity of the system's participants to perceive and act upon such opportunities."*¹

The main focus of sociological enterprise is to identify this social context. Reynolds (1991) differentiates with four social contexts in relation to entrepreneurial opportunity; (1) social networks, (2) life course stage, (3) ethnic identification and (4) population ecology stage. For the entrepreneur, involvement in casual informal networks may produce a major advantage (Reynolds, 1991, 63, c.f. also Granovetter 1973). In contrast to the transaction cost approach, social network theories emphasize trust, not opportunism, as an integral part of the relationship (Larson, 1992, 90, Reynolds, 1991, 63). Social control and economic exchange factors interact closely in long term relationships. The life course context involves analyzing the life situations and characteristics of individuals who have decided to become entrepreneurs. Social context and life course stages associated with entrepreneurial behavior are unique and to some extent even predictable (Reynolds, 1991, 63).

Sociological theories that start from ethnic identification try to explain entrepreneurship as a process where the individual's sociological (disadvantageous) background is one of the decisive "push" factors to become an entrepreneur. Low & MacMillan (1988, 149) suggest that current examples of technology clusters and high-tech companies offer contradictory evidence regarding disadvantageous backgrounds of entrepreneurs and no confident generalizations should be made about entrepreneurship being a response to inferior social conditions even though some cases exist. This conclusion, however, is applicable only in the category of special ventures that usually have high-growth and value added objectives and expectations.

The population ecology perspective is dynamic and process-oriented, thus might be a good analogy to describe the entrepreneurial process. In recent years, it has developed from a simplistic and deterministic metaphor to a rich theoretical framework capable of incorporating other theoretical perspectives (Low & MacMillan 1988, 145). Population ecology examines the survival of organizations in relation to environmental factors (c.f. Amit et. al. 1990, 823). However, population ecology theory excludes the most important criterion used for example in venture capitalist's financing decisions: the entrepreneur and management team. If the entrepreneur and management team are the most important determinants of success in the minds of venture capitalists, then as Amit et. al. (1990, 823) asked: "*Further, to what extent is success determined by the environment rather than the skill and ingenuity and decision of the entrepreneur?*"

However, ecological models could be developed more in the direction of entrepreneurial ecology by making the entrepreneur rather than the organization as the unit of analysis. Boime (1976, 181) states that:

¹ In Stewart (1991), p. 77 from original source Glade, W. P. (1967). "Approaches to a theory of entrepreneurial formation." *Explorations in Entrepreneurial History*, 4, p. 251.

“If it is feasible to speak of an ‘entrepreneurial psychology’ it is also appropriate to speak of an ‘entrepreneurial ecology’..The entrepreneur, insofar as his activities transform the physical nature of the environment and thus the conditions of experience, creates what I call the entrepreneurial ecology. The term as I use it expresses the changing character of the contemporary world through material signs of modernity. Not only do entrepreneurs furnish conspicuous evidence of change, they are the first to call attention to it by their life-style.”

This approach would not exclude the entrepreneur from the development process but in fact emphasizes his or her role in it. Boime highlights the reason why we believe entrepreneurial talents are crucially important: an entrepreneur’s activities transform the physical nature of the environment. He introduces an interesting ingredient to roles of entrepreneurs (c.f. Chandler & Jansen 1992): entrepreneurs may also act as early adopters on the consumer side.

5. Entrepreneurship and The Role of Innovations

What is the connection between a new and small business and entrepreneurship? The typology in the field of entrepreneurship and small business is slightly confusing. Drucker (1985, 19), Kirchoff (1991, 100) and Hornaday (1992, 19-20) state that not every new small business is entrepreneurial nor represents entrepreneurship. Their argument on representing entrepreneurship refers to the ability of new firms to create innovation. Gartner (1989) criticizes this kind of differentiating because he thinks that it answers to wrong question and does not consider behavioral aspects.

The following citation from Schumpeter (1943; 1987) addresses not only the economic factors of entrepreneurship but other important aspects from the viewpoint of an innovative, growth-oriented venture as well:

*“In part it (bourgeois society) appeals to, and in part it creates, a schema of motives that is unsurpassed in simplicity and force. The promises of wealth and the threats of destitution that it holds out, it redeems with ruthless promptitude. Wherever the bourgeois way of life asserts itself sufficiently to dim the beacons of other social worlds, these promises are strong enough to attract the large majority of supernormal brains and to identify success with business success (p. 73)..The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers’ goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist **enterprises create** (p.83).”*

This quotation emphasizes the creation of something new as an important function of an enterprise. These creation processes serve as impulses for the motion of market economy (capitalist engine). Schumpeter slips in an interesting, seldom-mentioned detail, namely the ability to attract supernormal brains. This is especially important for high-tech ventures. It should be high-

lighted that Schumpeter's (1943/1987, 83-84) definitions of entrepreneurship that describe it as a dynamic process of creative destruction as such deal mostly with the process of **existing enterprises**.¹ In contrast to Schumpeter, most entrepreneurship models deal with the **process of becoming** an entrepreneur (i.e., Bygrave 1989, Huuskonen 1992, Koskinen 1995). These process models include an implicit definition that entrepreneurship is an outcome of the process whereby someone decides to establish an enterprise. Simplifying this definition, we could define entrepreneurship to be the establishment of a new enterprise or organization as stated also by Gartner (1989, 62).²

5.1 Is the entrepreneur an innovator or an organizer?

Baumol (1993) concludes that, even if economics has been accused in ignoring entrepreneur and entrepreneurship from their models, theory of entrepreneurship does exist and it is powerful and illuminating. He distinguishes between a firm-organizing and an innovating entrepreneur: the former creates, organizes and operates a new business firm whereas the latter transforms ideas into economically viable entities. The innovating - not the firm-organizing - entrepreneur's behavior is difficult to describe and analyze systematically, and his or her role is excluded from standard models (Baumol 1993, 198-199).

Baumol introduces an important reason why the innovating entrepreneur has been barred from the formal economic theory of the firm: continuous change makes it difficult to provide general descriptions of his or her actions. Thus in the theory of the firm (in economics), there is no room for alertness of innovative entrepreneur nor for his reliance on hunch and instinct in the world, where every actor's move is assumed to be controlled rigidly by the dictates of sophisticated optimal calculations (Baumol 1993, 200). However, Baumol's (1993, 203) own analysis addresses these considerations quite artificially when he concludes that entrepreneurship exists in the models of the theory of the firm through its resource allocating nature. His analysis of different entrepreneurial types or activities, although very fruitful, is not consistent. Using Kirzner's (1979, 7) concepts Baumol starts with Misesian concepts of human action, and especially alertness to opportunities but turns to Robbinsian theory of resource allocation that applies after a person has been confronted with opportunities.

The reasoning, that an innovative entrepreneur would transfer his or her innovative talents to a field offering the potential to become rich and reward its actors, implicitly assumes the total separability of entrepreneurial talent from its basic possessor, the individual. This also suggests that the success of an innovation depends mainly on industry, where the re-

1 When giving this interpretation I am well aware that Schumpeter (1936) also argued that "Everyone is an entrepreneur when he actually "carries out new combinations", and loses that character as soon as he has built up his business, when he settles down to running it as other people run their businesses". In Bull & Willard (1993, 185). However, this does not contradict the argument that emphasizing creative destruction Schumpeter actually speaks about existing innovative ventures.

2 Gartner (1989, 62) does not offer his statement as a definition but as an attempt to change a viewpoint in the field of entrepreneurship.

sources are allocated, not the quality of resources, namely entrepreneurial skills and effort. By ignoring the attributes of the individual that make for an innovating entrepreneur, Baumol fails to catch the essence of innovative and creative ability. Innovativeness and creativity are bounded to the context. These characteristics and their results are dependent on the talents, education, training and experience of an individual. They are not evenly distributed across society and thus cannot be transferred without costs from one branch to another.

Baumol's approach confronts more problems if instead of the entrepreneur the venture is chosen as a unit of analysis. Timmons et al. (1977) argue that the success of entrepreneurship is a result of interaction of entrepreneurial team characteristics and product and market characteristics. Dubini's (1989) analysis confirms this and suggests that different entrepreneurial team characteristics predict performance for different clusters. The capacity for sustained and intense effort is important for the ventures operating in established market. The ability of an entrepreneurial team to assess and manage risk is most important for ventures operating in turbulent environments, where predicting the industry evolution is difficult (Dubini 1989, 131).

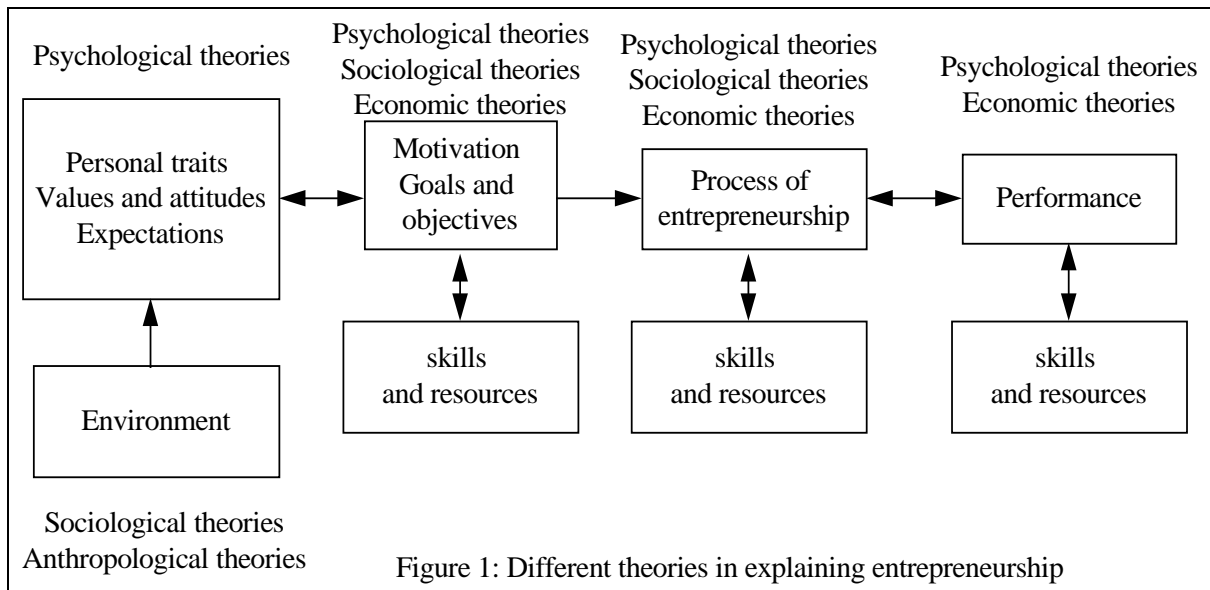
Even if individuals were transferable from branch to branch, would teams also be? How does dissolving the team affect success? Attracting the "supernormal brains" referred to by Schumpeter (1943) is a crucial element of the entrepreneurial firm. Do our education and training produce supernormal brains that are applicable from branch to branch?

6. Discussion and conclusions

From the above discussion of different theories and definitions of entrepreneurship we may suggest the following description of the use of different theories in entrepreneurship research. Fast (1982) and Timmons (1994) use 2x2 matrix having levels of creativity and innovativeness as one scale, and management skill and business know-how the other scale, to depict the characteristics of entrepreneurs. Some characteristics may overlap but entrepreneurs tend to be more opportunity-driven than the other types identified in the matrix. Entrepreneurs are described to have high level of creativity and innovation combined with high level of management skills and business know-how. This description excludes other types of actors from the population of entrepreneurs. This may be justified if we deal only with growth-oriented ventures. However, if we try to generalize the results into a wider group including all small businesses and ventures the appropriateness of approach could be questioned.

In Figure 1 it is suggested that different theories are applicable in different phases of entrepreneurial development.¹ Studying of different groups of entrepreneurs should presuppose the identification of phase in entrepreneurial development as well as applicable theories.

¹ Figure 1 is applied from Herron, L. & Robinson, R. B. Jr. 1993.



It could be argued that for example in Figure 1 economic theories affect expectations and sociological or anthropological theories apply in evaluating performance. I agree that expectations could be described by economic theories but these applications have not been introduced in entrepreneurship, yet. As a conclusion I would argue that we have a rich and multidimensional group of entrepreneurship theories that could be used together to explain entrepreneurial phenomena. However, in empirical research we should be more accurate in identifying, collecting and combining data. Innovative growth-oriented entrepreneurs, unemployed or ethnic minorities who start their micro businesses may diverge considerably in personal traits, expectations, motivation, goals and objectives. Thus these characteristics of data should be taken into account when selecting theoretical framework as well as analyzing methods to study entrepreneurship. Different theories as well as different definitions should be used in different contexts.

Hornaday (1992) suggests the use of fuzzy set theory to describe entrepreneurial phenomena that is a brilliant idea since it allows us to take into account uncertainty, vagueness, uniqueness and other *qualitative* characteristics of entrepreneurial market. Moreover, all the above mentioned theories are applicable in fuzzy set context.

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