

# Entrepreneurship Development and Business Communication

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## Theories of Entrepreneurship

Theory is a well-substantiated explanation acquired through the scientific method and repeatedly tested and confirmed through observation and experimentation.

Entrepreneurship is a multidisciplinary area governed by human factors, ever changing society pursuing simultaneously, economic objectives, social objectives, psychological objectives. Theory of Entrepreneurship is woven into sociological, cultural, psychological, political and managerial fiber with them it forms an economic web.

### The Economic Theory

- Economic incentives are the main motivators. Economic incentives include; the taxation policy, industrial policy, sources of finance and raw material, infrastructure availability, investment and marketing opportunities - access to information about market conditions and technology etc.

*Associate person:* Richard Cantillon, an Irish French Economist viewed entrepreneurs as a risk taker.

### The Sociological Theory

*Associate person:* Jean Baptiste

- Entrepreneurship is likely to get a boost in a particular social culture. The (entrepreneurial) behaviour of individuals in a society is influenced by society's values, Religious beliefs, Customs, Taboos, etc. The entrepreneur merely performs a role as per the expectations of the society. As per Jean Baptiste say, an aristocratic Industrialist Entrepreneur combines land of one, labour of another and the capital of yet another to produce a product. By selling the product he pays interest on the capital, rent on land and wages to labourers and what remains is profit. First time distinction between the capitalist as the financier and the entrepreneur as the organiser.

### Entrepreneurship Innovation Theory

*Associate person:* **Joseph Schumpeter.**

- This theory ignores earlier two abilities, which were till then considered key for an entrepreneur is Organising Abilities & Risk-Taking Abilities. According to Joseph Schumpeter, a 20<sup>th</sup> century Austrian Economist An entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship resulted in new industries, even though it entailed combining the existing inputs in a new way.

## **Psychological Theory**

- Entrepreneurship gets boost when society has sufficient supply of individuals with necessary psychological characteristics. These psychological characteristics include: Need for Achievement, A vision foresight, Ability to face opposition. These characteristics are formed during the individual's upbringing by high standards of excellence, self-reliance and low father dominance

## **Theory of Achievement**

*Associate person:* David McClelland

- As the basis of entrepreneurial personality, he emphasized the importance of achievement motivation through which, entrepreneur fulfills Economic and Social Development. The need for achievement was found highest among entrepreneurs through an experiment.

The *Kakinada Experiment* conducted by McClelland in America, Mexico and India (Kakinada). Young adults were selected and put through a 3 months training to induce achievement motivation. In the course content: trainees asked to control their thinking and be positive, trainees imagined themselves in need of challenges and success and to set achievable goals & imitate their role models, positive impact on performance, traditional beliefs do not inhibit.

McClelland identified two characteristics of entrepreneurship: (i) Doing things in a new and better way (ii) Decision making under uncertainty, that means people with High Achievement Orientation (Need to Succeed) are more likely to become entrepreneurs. Merely, people are not influenced by money or external incentives and profits are only a measure of success and competency.

## **Status Withdrawal Theory**

*Associated person:* E. Hagen

- This theory provides that a class which lost its previous prestige or a minority group tends to show aggressive entrepreneurial drive. If a group feels that their values and status are not respected by society, they turn to innovation to get respect of society.

Entrepreneurship is a function of status withdrawal. Four events which can produce status withdrawal, i.e. (i) Displacement of a traditional elite group by physical force, (ii) Denigration of values, symbols due to change in attitude of superior class, (iii) Inconsistency of static symbol due to change in economic power, and (iv) Non-acceptance of expected status on migration to a new society.

Entrepreneur as a creative problem shooter. Hagen visualized an innovative personality i.e., Retreatist, Ritualist, Reformist, Innovator. And, innovation requires creativity and such creative individuals cause economic growth.

## **Theory of Social Change**

*Associated person:* Max Weber

- Ethical value system protestant ethic and the spirit of capitalism, religion and its impact on entrepreneurial culture. Weber opined that spirit of rapid industrial growth depends upon, rationalized technology acquisition of money, rational use of money for productivity, multiplication of money. These elements depend upon specific value orientation of individuals generated by ethical values.

### **Theory of Social Behaviour**

*Associated person:* Kunkel

- It presents a behavioral model. Supply of entrepreneurs is a function of social, political and economic structure. Individuals perform various activities of which some are accepted by society while others are not. Four structures in society i.e., limitation structure, demand structure, opportunity structure, labour structure are often held responsible for entrepreneurial growth.

### **Theory of Leadership**

*Associated person:* Hoselitz

- Entrepreneurship is a function of managerial skill and leadership means ability to lead and manage. Social conditions should ensure the development of enterprise-oriented personalities. Here, Hoselitz emphasized on the role of culturally marginal groups into entrepreneurship growth.

### **Theory of Model Personality**

*Associated person:* Cochran

- This is a sociological theory of entrepreneurial supply. Cochran emphasises cultural values, role expectation and social sanctions as the key element. Entrepreneur's performance is influenced by his attitude towards his occupation, role expectation held by sanctioning groups, operational requirements of the job and society's values, most important for attitude and role expectation.

### **Theory of Systematic Innovation**

*Associated person:* Prof. Drucker

- Systematic innovation consists in the purposeful and organised search for changes and in the systematic analysis of the opportunities such changes might offer for economic or social innovation. Systematic innovation means seven sources for innovative opportunity. The first four sources lie within the enterprise, i.e.,

- (1) The unexpected success, the unexpected failure, the unexpected outside event;
- (2) The incongruity between reality as it actually is and reality as it is assumed to be or ought to be;
- (3) Innovation based on process need;
- (4) Changes in industry structure or market structure that catch every one unaware.

And, the second set of sources for innovative opportunity, a set of three involves changes outside the enterprise of industry;

- (1) Demographics (Population changes);
- (2) Changes in perception, mood and meaning;
- (3) New knowledge, both scientific and nonscientific.

Lines between these seven source areas of innovative opportunities are blurred, and considerable overlap between them.