Few topics in the business area have attracted more attention among academics and journalists than “entrepreneurship”. The concept of entrepreneurship has existed for centuries and has been important to the development of modern economic and social life; however, research regarding “entrepreneurship” has been made challenging by the absence of a consistent definition of the term across the universe of studies on the topic. From an economic perspective, “entrepreneurship” is generally conceptualized as the creation of a new business and the bearing of the risk associated with that business in exchange for profits to be derived from the exploitation of opportunities in the marketplace (e.g., demands of consumers that are not currently being satisfied). Defined in this manner, entrepreneurship can take a variety of different forms. One of the most famous types of entrepreneurship, one that has also become closely aligned with conceptualizations of various forms of entrepreneurship, is Schumpeter’s “creative destruction”. In Schumpeter’s view, the entrepreneur is driven by innovation, which can take the form of a totally new product or process or an innovative change to existing products or processes, which ultimately “destroy”, or render obsolete, products and processes that have been used in the past. Some pundits have thrown up their hands with respect to efforts to define entrepreneurship, concluding that it was best to simply leave it that entrepreneurship involves the creation of something new. Perhaps this is too simplistic and there is value to Shane et al.’s description of entrepreneurship as a business process that encompasses several stages and activities including the identification and appraisal of opportunities, the choice to whether to exploit or sell the opportunities, efforts to acquire resources needed to exploit the opportunities, the development of an appropriate strategy for exploiting the opportunity, and the design of the new project or business model relating to the exploitation of the opportunity.
innovative change to existing products or processes, which ultimately “destroy”, or render obsolete, products and processes that have been used in the past. While entrepreneurship is often discussed in the context of policies for encouraging and supporting small businesses, Graham observed that entrepreneurship differs from small business in four critical ways: amount of wealth creation, speed of wealth accumulation, risk and innovation.¹

Entrepreneurship is widely celebrated as an engine for progress that brings growth to the economy, makes the marketplace more competitive, makes individual firms more productive through technological change and creates jobs and added value and welfare for members of society. However, while entrepreneurship is generally lauded for the positive impacts and benefits it has provided to society, it is also true that entrepreneurial activities can have negative consequences such as environmental degradation or unequal distribution of wealth.² Recognizing this situation, there have been calls among researchers for entrepreneurial skills and processes to be applied to mitigate and resolve some of the problems that entrepreneurs may have created, an idea which provides the foundation for ecopreneurship, social entrepreneurship and sustainable entrepreneurship.³ For example, Hall et al. argued that “entrepreneurship may be a panacea for many social and environmental concerns” and Pacheco et al. asserted that entrepreneurs can be an important force for social and ecological sustainability.⁴

Coronavirus: A Reminder That All Entrepreneurship Matters

Writing in the New York Times in April 2020, David Sax suggested that the Coronavirus pandemic and related public health and economic crises should serve as a reminder of the types of entrepreneurship that truly matter in our society. Sax noted that entrepreneurship has frequently been defined and lionized in the

Definitions and Types of Entrepreneurship

media as being limited to the tight knit ecosystem of Silicon Valley that is providing us with innovative ideas for the re-invented futures the prophets and gurus in that ecosystem decide that we must all have. Referred to by Sax as “bold, sexy entrepreneurship”, examples include Jobs, Musk and Zuckerberg; Mark Cuban and other ruthless investors on “Shark Tank”; WeWork and a host of other Unicorns; celebrity cosmetics companies and the seemingly endless stream of college dropouts who have miraculously found the next disruptive product or technology that they will develop with hundreds of millions of dollars of venture capital financing and no experience or responsible guidance.

Fawning boosters of this phenomenon, including many economists and policymakers, have effectively argued that the “Silicon Valley startup” is the only type of entrepreneurship worthy of financial and political support and, as Sax put it, small businesses that are not interested in innovating boldly or pursuing exponential growth have been disdainfully cast aside as effectively pointless and a waste of valuable scarce resources. Seemingly productivity alone is to be the holy grail of entrepreneurship. Sax provided the following quote from Lind and Atkinson to illustrate this view of entrepreneurship and its hostility to traditional small business: “The best way to boost productivity is to remove obstacles to the replacement of small-scale, labor-intensive, technologically stagnant mom-and-pop firms with dynamic, capital-intensive, technology-based businesses, which tend to be fewer and bigger.” Lind and Atkinson went on to advise governments that if they wanted to help any small firms they “should focus on the startups that have the desire and potential to get big, not on nurturing Ashley and Justin’s efforts to open a local pizza shop”.

Certainly job creation and other types of economic growth, done responsibility by the Silicon Valley startups like those described above, is generally a positive contribution to society; however, Sax argued that to fixate only on those metrics of success ignored the deep and intricate connection that small businesses have to the heart and soul of their communities and everyone who lives there. According to Sax, if one or more of the darlings of Silicon Valley flamed out in the stormy seas of the Coronavirus life would go on relatively unchanged, but if we lost the barbers, fruit stores and plumbers that we have come to rely on every day we would lose a part of our souls and our communities would be filled with good people and their families who have been ruthlessly and callously consigned to struggling with financial and emotional trauma for years to come.

Even before the Coronavirus, the demographics and impacts of entrepreneurship in America were shifting dramatically. According to Sax, the number of Americans who were self-employed and had started their own businesses dropped by half since the early 1980s. However, while smaller in numbers, these entrepreneurs continued to have an outsized impact on their communities: struggling to sustain profitability to survive, yet contributing immeasurable intangible value to the social fiber of the world in which they operated. Sax’s own experience in his community was that if a business was owned and operated by entrepreneurs, including partners, individuals and families, they almost always offered their immediate support for activities that would benefit the community, be it schools, parks, the local playhouse or some other activity that could be enjoyed by their neighbors even if they weren’t customers at that time. On the other hand, when businesses in the same community were owned by larger corporations headquartered hundreds of miles away or funded by outside professional investors, they were far less likely to contribute to the cause. Sax also reported about small businesses, such as hair salons and restaurants, that served as de-facto community centers operated by entrepreneurs who often provided services and products for free to help out their neighbors in need.

Sax admitted that even with the best of intentions and financial support, many traditional small businesses would simply not be able to survive the sudden shock of the pandemic, as happened during the great recession of the late 2000s, and would be forced to close their doors, lay off their employees and file for bankruptcy protection to fend off their creditors, many of whom are also small businesses in similar situations. Small businesses simply do not have the safety nets to survive more than a few days or weeks without customers. Nonetheless, even as they struggled to deal with a future they could not control and politicians that said the right things but seemed unable or unwilling to really help while larger businesses got most of the financial assistance, small businesses around the country moved quickly to provide whatever support they could to help those in their communities during the crisis. Sax cited examples of small fashion designers pivoting quickly to making face masks; craft distilleries producing hand sanitizer.
and restaurants providing free meals to health care workers, the homeless and isolated senior citizens. Small restaurants also stayed open for limited takeout service, not just for the food but to simply give customers an opportunity for social interaction in line with social distancing.

There is a place for both Silicon Valley and traditional entrepreneurs and small businesses in our world, but the proper balance between these two types of entrepreneurship remains to be determined, one of many problems that will have to wait until after the Coronavirus is brought under control. Until then, however, the pandemic is a time for people to reflect on the simple things, often taken for granted, that they miss the most.


Research regarding “entrepreneurship” has been made challenging by the absence of a consistent definition of the term across the universe of studies on the topic. According to Stokes et al., the concept of entrepreneurship has existed for centuries and has been important to the development of modern economic and social life. The term itself has been linked to the French word “entreprendre”, which means “to undertake” or “to do something”, and early definitions and descriptions of the concept can be found in works of economists going back as far as the 18th century (e.g., Cantillon, Adam Smith, Say, John Stuart Mill, and Hermann). For example, one of the first uses of the term “entrepreneur” has been attributed to Cantillon, who wrote in the 18th century about individuals who bought materials and means of production at prices that enabled them to combine them into a new product.

Many researchers have focused on the economic function served by the entrepreneur. For example, one of the earliest definitions of entrepreneurship focused on merchants who were willing to assume the risks of purchasing items at certain prices while there was uncertainty about the prices at which those items could eventually be resold. Later definitions began to focus on the risks and challenges associated with combining various factors of production to generate outputs that would be made available for sale in constantly changing markets. Schumpeter was one of the first to include innovation in the definition of entrepreneurship and believed strongly that the proper role of the entrepreneur was creating and responding to economic discontinuities. Others involved in the study of entrepreneurship focus on the personality traits and life experiences of the entrepreneur in an attempt to generate lists of common entrepreneurial characteristics——
propensity for “risk taking”, need for achievement and childhood deprivation. While these studies are interesting they have generally been far from conclusive and often have generated conflicting results.

Gartner surveyed the landscape of the attempts to define entrepreneurship and concluded that finding a common definition of the entrepreneur remains “elusive”. \(^9\) Garner quoted an observation made by Cole in 1969: “My own personal experience was that for ten years we ran a research center in entrepreneurial history, for ten years we tried to define the entrepreneur. We never succeeded. Each of us had some notion of it—what he thought was, for his purposes, a useful definition. And I don’t think you’re going to get farther than that”. \(^10\) Gardner also pointed out that Borkhous and Horwitz, who reviewed the literature on the psychology of the entrepreneur in the mid-1980s, struck a similar note when they reported: “The literature appears to support the argument that there is no generic definition of the entrepreneur, or if there is we do not have the psychological instruments to discover it at this time. Most of the attempts to distinguish between entrepreneurs and small business owners or managers have discovered no significant differentiating features”. \(^11\) Gardner also counseled against the so-called “trait approach” that focuses on identifying “entrepreneurs” \(^12\) and argued that the study of new venture creation must take into account the interaction among several variables or dimensions including not only the personal characteristics of the individual entrepreneur but also competitive entry strategies, “push” and “pull” factors and the actions taken by the entrepreneur during the new venture creation process. \(^13\) Other researchers, including Schumpeter, have added the availability of prospective entrepreneurs with the requisite entrepreneurial orientation (e.g., self-reliance, self-confidence and perseverance) as a prerequisite to effective new venture creation. \(^14\)

Acknowledging the lack of a universally accepted definition of entrepreneurship, Hessels did comment that “[t]here seems to be agreement . . . that entrepreneurship involves the creation of something new”. \(^15\) For Gartner, that “something new” was a “new

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12 Id. at 26.


organization” and he suggested that the most fruitful path for studying entrepreneurship was to view it as a process that includes a series of behaviors and activities intended to create organizations.16 Davidsson et al., referred to entrepreneurship as “the creation of new economic activity” that occurs both through the creation of new ventures and new economic activity of established firms.17 Use of the concept of “creation of new economic activity” includes not only the creation of new organizations championed by Gartner but also recognition and exploitation of opportunities, conversion of new ideas into innovations and even imitative behavior that is new to a firm.18 It is not necessary that the same person or entity that discovered an opportunity actually exploit that opportunity and entrepreneurship should be defined broadly enough to include the sale of opportunities to others. For that matter, discovery of a new technology should not be a prerequisite to entrepreneurship with respect to that opportunity and the concept of entrepreneurship should include actions taken to interpret the capabilities of the technology so as to identify applications of the technology that eventually become the foundation of opportunities.

All of the foregoing was taken into account by Shane and Venkataraman when they defined entrepreneurship as “the process by which ‘opportunities to create future goods and services are discovered, evaluated and exploited’”.19 A few years later, Shane, working with Eckhardt, elaborated on the previous definition by describing entrepreneurship as a business process that encompassed several stages and activities including the identification and appraisal of opportunities, the choice to whether to exploit or sell the opportunities, efforts to acquire resources needed to exploit the opportunities, the development of an appropriate strategy for exploiting the opportunity, and the design of the new project or business model relating to the exploitation of the opportunity.20 Shane et al. highlighted several key points that followed from using these definitions.21 For example, the definition does not require that the entrepreneur be a firm founder or business owner, a common assumption in the research relating to entrepreneurship, and allows for the fact that new and innovative ideas for goods and
services can come from anywhere in the organizational hierarchy and not just from the top, such as sales managers who develop new ways to market products and services to target markets. In addition, it calls for interpreting entrepreneurship as a “process” rather than a one-time event, action or decision. For example, the decision to form and organize a new firm, while important, is just one of a series of actions that must be taken in order to effectively discover, evaluate and exploit an opportunity. Finally, the definition recognizes that entrepreneurship is based on “creativity”, which can include not only uncovering new ideas and knowledge but also arranging resources in ways that have not been done before. There is no minimum threshold of “creativity” that must be met in order for an activity to qualify as “entrepreneurship” and, as Shane et al. pointed out, “the degree of creativity involved in entrepreneurship varies across the types of resource recombination that occurs”.

Later, Oviatt and McDougall acknowledged and added to definition the definition offered by Shane and Venkataraman in the context of their effort to describe “international entrepreneurship” by referring to entrepreneurship as “the discovery, enactment, evaluation, and exploitation of opportunities . . . to create future goods and services”. According to Harper, the opportunities associated with entrepreneurship may call for development of new markets, new products, new methods of production and management, the discovery of new inputs, the establishment of new businesses and the creation and design of new organizational forms.

Majid and Koe observed that Stokes et al. separated the various definitions of entrepreneurship into three categories: purposes, behaviors and outcomes. The first category included definitions that focused on “what entrepreneurs do”, in other words the activities and processes of entrepreneurship such as “creating something new”, “pursuing opportunities” and “discovering, creating and exploiting opportunity for future goods and services”. The second category focused on “who are entrepreneurs” and included definitions that provided insights into the specific behaviors of individuals who engage in entrepreneurial activities such as “competitive and drive market process”.

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and “creative and innovative”.

The third category focused on “what entrepreneurs produced”, such as creating new organizations.

The Global Entrepreneurship Monitor (“GEM”), a partnership between London Business School and Babson College that has been administering a comprehensive research program since 1999 to produce annual assessments of national levels of entrepreneurial activity, broadly defines entrepreneurship to include “… any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, teams of individuals, or established businesses”.

J.G. Burch, who has written extensively on the subject, has referred to entrepreneurship as the “initiation of change” and the “process of giving birth to a new business.” Burch has also developed a list of the following categories of innovations that tend to be the specific byproducts of entrepreneurial activities: introduction of a new product or service that is an improvement in the quality of an existing product or service; introduction of a new process or method that increases productivity; the opening of a new market, particularly an export market in a new territory; the conquest of a new source of supply of raw materials, half-manufactured products or alternative materials; and the creation of a new organization.

Finally, Acs and Szerb, who created the Global Entrepreneurship Development Index, argued that “while a generally accepted definition of entrepreneurship is lacking there is agreement that the concept comprises numerous dimensions … [t]he most common features of the various definitions involve unique traits, risk taking, opportunity recognition, motivation and exploitation, and innovation” (citations omitted)). They believed that it was important to distinguish entrepreneurship from small businesses, self-employment, craftsmanship and “usual businesses” and defined entrepreneurship as “a dynamic interaction or entrepreneurial attitudes, entrepreneurial activity, and entrepreneurial aspiration that vary across stages of economic development”.

They also emphasized that entrepreneurship included not only individual variables but institutional and environmental variables as well and that consideration must be given to quality of entrepreneurial activity as reflected in the aspirations and skills of entrepreneurs with respect to commercializing innovative products and technologies, building a global business and creating organizations that significantly contribute to higher employment.

33 For further discussion of the GEM, see “Research in Entrepreneurship” in “Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
36 Id.
Theoretical Underpinnings of Entrepreneurship

Lawai et al. summarized some of the various theories that have been advanced by researchers to explain the field of entrepreneurship, noting that the theories had drawn on principles for a wide array of academic fields including economics, psychology, sociology, anthropology and management:\(^\text{37}\):

- **Economic Entrepreneurship Theories:** Economic theories of entrepreneurship highlight the economic factors that enhance entrepreneurial behavior. For example, classical theory is based on the benefits of free trade, specialization, and competition, and sees the entrepreneur as the essential director of the production and distribution of goods in a competitive marketplace. Classical theory has been criticized as failing to take into account the role that entrepreneurs have played in disrupting existing markets and economists such as Schumpeter have argued that the role of the entrepreneur was to drive market-based systems by creating something new which resulted in processes that transformed the market economy.

- **Psychological Entrepreneurship Theories:** Psychological theories emphasize personal characteristics of individuals who seek to engage in entrepreneurial activities including personality traits, need for achievement and locus of control, ability to take risk, innovativeness, and tolerance for ambiguity. For example, Coon identified the following characteristics or behaviors associated with entrepreneurs: tendency towards being more opportunity driven, demonstration of high level of creativity and innovation, display of high level of management skills and business know-how, optimism, emotional resilience and mental energy, hard-working spirit, intense commitment and perseverance, competitive desire to excel and win, tendency to be dissatisfied with the status quo and desire for improvement, transformational in nature, lifelong learners and able to use failure as a tool and springboard.\(^\text{38}\)

- **Sociological Entrepreneurship Theories:** Sociological entrepreneurship theories focus on the social context for entrepreneurship. For example, Reynolds claimed to have identified four social contexts that relate to entrepreneurial opportunity vis-a-vis: building social relationships and bonds that fosters trust instead of opportunism; ethnic identification where individual’s sociological background serve as decisive factor in propelling entrepreneurial affinity; population ecology (in which case environmental factors) determine survival of new ventures; and life course stage context which involves analyzing life situations and characteristic of individuals who have decided to become entrepreneurs.\(^\text{39}\)


\(^{38}\) Id. at 341 (citing D. Coon, Introduction to Psychology (9th Ed) (Minneapolis: West Publishing Company, 2004)).

\(^{39}\) Id. at 341-342 (citing P. Reynolds, “Sociology and entrepreneurship: concepts and contributions”, Entrepreneurship: Theory & Practice, 16(2) (1991), 47).
• **Anthropological Entrepreneurship Theories:** Related to sociological entrepreneurship theories, anthropological entrepreneurship theories focus on the importance of both social and cultural context as determinants of successful entrepreneurship. Specific issues include cultural attitudes toward entrepreneurship and integration of cultural values and norms into the processes used to launch new ventures.

• **Opportunity-Based Entrepreneurship Theories:** Opportunity-based entrepreneurship theories are based on the premise that entrepreneurs do not necessarily bring about change directly but scan the environment for changes and then seize and exploit the opportunities that change create (e.g., opportunities related to change in technology and/or consumer preferences).

• **Resource-Based Entrepreneurship Theories:** Resource-based entrepreneurship theories are focused on the importance of access to resources (e.g., financial, social and human resources) as a facilitator and predictor of identifying opportunities suitable for entrepreneurial activities.\(^40\)

### The Entrepreneur in Economic Theory

Acs and Virgill, while writing about the relationship between entrepreneurship and economic development, commented that “[t]he entrepreneur has been ignored in economic theory”.\(^41\) Others have voiced similar critiques: Cole took economists of the 1800s to task for “overlooking the entrepreneur as a source of economic change” and failing to give proper notice and weight to the “disruptive, innovating energy” associated with entrepreneurial activities.\(^42\) Schumpeter referred to entrepreneurs as “sadly neglected”\(^43\); Soltow claimed that economic historians were more concerned with “businessmen and firms” than entrepreneurs\(^44\); Kirzner argued that neoclassical microeconomics, with its focus on “perfect” information and competition and general equilibrium, failed to explain how “real markets” worked and the role that entrepreneurs played in identifying and rectifying market imperfections.\(^45\)

Acs and Virgill described the views of several well-known economic historians and theorists regarding entrepreneurs. They explained that Say saw entrepreneurs as “perform[ing] a specific role in the economy by coordinating other factors of production (i.e., labor, capital etc.) with his knowledge in order to ‘meet the demands of the final

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consumers’ and that Say recognized that entrepreneurs “assumed risks and employed judgment in [their] entrepreneurial activities”.

Schumpeter’s interest in entrepreneurship is well-known and focused on entrepreneurial activity that was “innovative” (i.e., discovery and exploitation of new products, processes and/or markets). For Schumpeter, the entrepreneur thrived on risk-taking while responding to “exogenous shocks of new information” and also was a primary driver of development through his or her attempts to instigate change and “disturb” the status quo. The “Kirznerian entrepreneur” was important because he or she “restored a market to equilibrium” after it had been disrupted by previous errors made by entrepreneurs. As described by Acs and Virgill: “. . . disequilibrium generated new ‘profit opportunities’ . . . [and] ‘alert, imaginative entrepreneurs’, imbued with superior knowledge, were able to exploit these ‘profit opportunities’ by recognizing or ‘discovering’ these errors and by taking action to correct the market”.

The theories of both Schumpeter and Kirzner assumed, to some extent, that new information is not always communicated to everyone in the market and/or used correctly by all recipients and that these “mistakes and misallocations” provide opportunities for entrepreneurs.

Types of Entrepreneurship

Researchers have suggested that it is important to recognize different “types” of entrepreneurship when analyzing issues such as the characteristics of entrepreneurs, their motives for choosing entrepreneurship and the contributions of their entrepreneurial activities to economic development. For example, if entrepreneurship and new venture creation is viewed as a process that extends over multiple phases, it may be reasonable and useful to assume that each phase has its own type of entrepreneur (i.e., potential, expected and nascent entrepreneurs and finally actual business owners). Two other popular methods for classifying entrepreneurs are the distinctions that have been made between “push” and “pull” entrepreneurs and the distinctions between “necessity-based” and “opportunity-based” entrepreneurs. While research on the specific conditions and characteristics associated with identified types of entrepreneurship has been extensive, the results have been mixed.

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50 See also I. Kirzner, “Creativity and/or Alertness: A Reconsideration of the Schumpeterian Entrepreneur” The Review of Austrian Economics, V11(1) (1999), 5-17.

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Entrepreneurship can take a variety of forms and a number of researchers have suggested that it is important to recognize different “types” of entrepreneurship when analyzing issues such as the characteristics of entrepreneurs, their motives for choosing entrepreneurship and the contributions of their entrepreneurial activities to economic development.\textsuperscript{51} The GEM researchers acknowledged that entrepreneurship is a process that extends over multiple phases, thus allowing opportunities for assessing the state of entrepreneurship in a particular society at different phases. Four of the phases are readily identifiable stages of the new venture formation process and each stage has its own “type” of entrepreneur:\textsuperscript{52}

- **Potential entrepreneurs:** These are persons who see opportunities in their areas, believe they have the abilities and resources to start businesses to pursue those opportunities and who are not deterred by fear of failure in pursuing those opportunities. The level of broader societal support for entrepreneurship is also important at this phase. The GEM survey uses a variety of measures of entrepreneurial perceptions, intentions and societal attitudes including perceived opportunities, perceived capabilities, fear of failure, entrepreneurial intentions, entrepreneurship as a “good career choice” high status to successful entrepreneurs and media attention for entrepreneurship.
- **Expected entrepreneurs:** Expected entrepreneurs are those persons who have not yet started a business but who have expressed an expectation that they would start a business within the next three years.
- **Nascent entrepreneurs:** This phase covers the first three months after the entrepreneur establishes a new business to pursue the identified opportunities.
- **New business owners:** These are persons who have successfully emerged from the nascent phase and have been in business more than three months but less than three and one-half years.

Two other popular methods for classifying entrepreneurs are the distinctions that have been made between “push” and “pull” entrepreneurs\textsuperscript{53} and the distinctions between “necessity-based” and “opportunity-based” entrepreneurs. Others, when analyzing conditions in transition economies, have distinguished between “proprietorship”, which

\textsuperscript{52} D. Kelley, S. Singer and M. Herrington, Global Entrepreneurship Monitor: 2011 Global Report (Babson Park, MA: Global Entrepreneurship Research Association, 2012). The GEM researchers actually identified six phases; the four mentioned in the text and two more: “established businesses” (i.e., businesses that have been operating for more than three and one-half years, thus moving beyond “new business owner” status) and “discontinued businesses”, which were factored into the analysis regardless of how long they were operating because they are a source of experienced entrepreneurs who may start new businesses and/or use their expertise and experience to support other entrepreneurs (e.g., by providing financing and/or business advice).
includes situations where individuals start their own businesses to generate income to sustain their families when no other options are available, and “genuine entrepreneurship”, which is a term that describes situations where individuals start businesses with the goal of generating sufficient income so that a portion of it can be reinvested in order to underwrite business growth and development.\textsuperscript{54}

A number of researchers have focused on the existence and influence of “push/pull situational factors” in motivating individuals to engage in entrepreneurial activities and the factors identified have included the frustration of the entrepreneur with his or her current lifestyle, childhood influences, family environment, age, education, work history, role models and support networks.\textsuperscript{55} In many instances, entrepreneurs may be literally “pushed” into entrepreneurship, often against their wishes, by unanticipated and unwelcome lifecycle developments such as loss of employment, extreme dissatisfaction with a current job and other career setbacks. Unfortunately, these entrepreneurs are frequently viewed in a somewhat negative fashion by society—“misfits” or “rejects”.\textsuperscript{56}

On the other hand, entrepreneurs may be “pulled” into creating a new venture by factors viewed more positively in most societies including training and exposure to business that creates interest and confidence in looking for new opportunities to exploit.\textsuperscript{57}

Some researchers have viewed either a “push” or a “pull” as a prerequisite to new venture


formation since it triggers a state of general readiness to take action once a suitable opportunity and the necessary resources can be identified.\(^{58}\)

The terms “opportunity-based” and “necessity-based” entrepreneurship have been popularized by their use in the GEM.\(^{59}\) The questions asked of entrepreneurs included seeking information about why they decided to start and grow their businesses. Respondents who indicated that they chose entrepreneurship to “take advantage of a business opportunity” or “seek better opportunities” were practicing opportunity-based entrepreneurship while respondents starting businesses “because [they had] no better choices for work” were identified as necessity-based entrepreneurs.\(^{60}\) The key characteristic among opportunity-based entrepreneurs is their acknowledgement that they made a voluntary career choice to pursue an entrepreneurial path. The GEM also recognizes another type of entrepreneurship, referred to as “improvement-driven”, that includes persons interested in pursuing an opportunity and who do so in order to improve their incomes and/or independence in their work, as opposed to “necessity”.

In contrast, necessity-based entrepreneurs choose entrepreneurship only because other options were not available or were considered to be unsatisfactory. The term “reluctant entrepreneurship” is sometimes used to describe these persons and it is common to find that they have been pushed to start their own businesses because they have either lost the jobs they had with their employers or had been placed in the path of what appears to be an inevitable elimination of their positions. In either instance, entrepreneurship was, at least initially, a means of survival. It should be noted, however, that there appears to be some debate about whether problems in the overall economy that lead to increased unemployment will lead to higher levels of necessity-based entrepreneurship and one researcher has summarized the findings of various researchers as follows: “It does seem then that there is some disagreement in the literature on whether high unemployment acts to discourage self-employment because of the lack of available opportunities or encourage it because of the lack of viable alternatives.”\(^{61}\)

The GEM research confirms that it is more likely than not that persons start a new business in order to take advantage of a perceived business opportunity, so-called “opportunity entrepreneurship”; however, the existence of “necessity entrepreneurship” must be acknowledged and considered when researching entrepreneurship. It is not surprising to find that there are differences among countries, particularly groups of countries with similar cultural characteristics, with regard to the prevalence of specific types of entrepreneurs. For example, differences between countries with respect to the

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\(^{59}\) For further discussion of the GEM surveys, see “Research on Entrepreneurship” in “Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).


incidence of entrepreneurial activity have been attributed to differences in “risk tolerance” since there are significant variations among countries with respect to the level of risk (and possibility of failure) that persons are willing to assume before they start a new business. Even within countries, however, variations in the incidence of entrepreneurial activity can be seen when one looks at different characteristics such as age, education, industry and location. Several studies have confirmed what would appear to be fairly obvious: necessity-based entrepreneurship in a country tends to decline as the level of economic development in that country increases and the overall business environment in the country stabilizes.\(^{62}\) In addition, one sees lower levels of necessity-based entrepreneurship in “innovation-driven countries”.\(^ {63}\)

There has been a good deal of research on the relationship between the motives and reasons of the entrepreneur for embarking on a business activity and the subsequent performance (i.e., “success”) of the entrepreneur’s business venture.\(^ {64}\) Predictably, the findings appear to be mixed. In some instances, researchers have claimed that there is a positive relationship between the intentions of the entrepreneur and the growth realized by the entrepreneurial activity, at least when the relevant measure is employment growth; however, when reporting their results the researchers have also cautioned that the entrepreneur’s intention to grow, while relevant, is not the only factor that influences the performance of the entrepreneurial activities and that one needs to take into account other factors such as the availability of resources.\(^ {65}\) A number of researchers using data from the GEM have found that while necessity-based entrepreneurs create jobs for themselves, they generally do not contribute to economic growth\(^ {66}\) and, in fact, one scholar looking at the research work in the area has concluded that “[i]n general, studies based on GEM data (citations omitted) tend to view so-called necessity entrepreneurship as a more negative factor as far as national growth and development are concerned”.\(^ {67}\) On the other hand,


\(^{63}\) Id.


\(^{67}\) F. Welter, “Entrepreneurship and development—Do we really know which entrepreneurship types contribute (most)” Strategic Entrepreneurship—The Promise for Future Entrepreneurship, Family Business and SME Research?, Papers presented to the Beitrage zu den Rencontres de St-Gall 2010 (St.
different studies have concluded that the initial reasons for launching a new business are not reliable indicators of whether the business will survive and, if it does, the size and/or rate of growth of the business. Those studies emphasize that the likelihood of success for an entrepreneur will be impacted by a number of other factors apart from the reasons for launching a new business such as the availability of capital and skilled personnel, governmental policies and the communications and transportation infrastructure.

Welter acknowledged the utility of a dichotomy of concepts pertaining to the motivations for entrepreneurship such as “push/pull” and “opportunity” versus “necessity” entrepreneurship and the concepts of “productive” and “unproductive” entrepreneurship; however, he argued that one should avoid categorizing or otherwise describing ventures once and for all into a single category into order to assess their contribution to economic development at the macro level. According to Welter, entrepreneurship must be seen as a “dynamic phenomenon” which is fluid and individual entrepreneurs bring their own previous experience and other antecedent influences to the process of launching a new business. As such, it can be expected that the motivations, behaviors and contributions of an entrepreneur may change over time. For example, a person may begin down the path of entrepreneurship driven primarily by the desire to simply “survive”, even though he or she may harbor personal ambitions and strategies to pursue “genuine” entrepreneurship at some point in the future once the immediate basic needs for self and family have been meant. In the same vein, temporary “unproductive” behavior, such as acting informally for a time to evade legal and tax requirements that would make it too difficult to launch the business at all, may eventually give way to a “productive” venture that makes a substantial contribution to job creation and tax revenues for the state. Welter pressed for recognition that a multitude of motivations and entrepreneurial behaviors may exist over the life of a particular venture and that the productivity of a particular venture should be measured by taking into account both output and behavior.

Wagner was especially interested in gaining a better understanding of persons falling within the definition of “nascent entrepreneurs”, which Wagner explained by

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69 F. Welter, Entrepreneurship and Development – Do We Really Know Which Entrepreneurship Types Contribute (Most)?


71 The Panel Study of Entrepreneurial Dynamics (“PSED”) and the Global Entrepreneurship Monitor (GEM) both referred to a “nascent entrepreneur”, a term that was defined as “a person who is now trying to
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referencing a suggested model for the process of creating a new venture which included four stages (conception, gestation, infancy and adolescence) and the three transitions between those stages. In Wagner’s words: “The first transition begins when one or more persons start to commit time and resources to founding a new firm. If they do so on their own, and if the new venture can be considered as an independent start-up, they are called nascent entrepreneurs. The second transition occurs when the gestation process is complete, and when the new venture either starts as an operating business, or when the nascent entrepreneurs abandon their effort and a stillborn happens. The third transition is the passage from infancy to adolescence—the fledgling new firm’s successful shift to an established new firm.” Wagner’s view was that nascent entrepreneurs were important due to their roles as the main actors in the first two stages and transitions of the new venture creation process and that he was not, at least for purposes of that particular analysis, interested in what happened to businesses that were formed after the second transition or in persons who had gone through the first two stages and transitions because they preferred being self-employed over being an employee but were not that interested in trying to start and own a whole new business (i.e., persons commonly referred to as “latent entrepreneurs”).

Wagner’s paper covered several fundamental questions about nascent entrepreneurship, collecting and analyzing data from various sources on each of the questions: how many nascent entrepreneurs are there, around the world; what do nascent entrepreneurs do; who are the nascent entrepreneurs; what makes a nascent entrepreneur; and what happens to nascent entrepreneurs and why? He noted that information on these questions had improved substantially with the launch and development of the GEM, which incorporates reliable information on the prevalence of nascent entrepreneurship in a large number of countries; however, he felt that much work still needed to be done in order to understand the substantial differences between countries with respect to the percentage of adults engaged in nascent entrepreneurship and understand why people decide to become nascent entrepreneurs, what activities they engage in once they do and what factors are most important in helping them push forward into the later stages of the new venture creation process.

Wagner bemoaned the fact that there was no “comprehensive and comparable evidence on the set of activities nascent entrepreneurs are involved in, and on the timing of these events, for a large number of countries”. A few studies were conducted in the US, Norway and Canada in the 1990s and early 2000s and the most common responses by

start a new business, who expects to be the owner or part owner of the new firm, who has been active in trying to start the new firm in the past 12 month, and whose start-up did not have a positive monthly cash flow that covers expenses and the owner-manager salaries for more than three months” [quoted from Wagner paper referred to in following note (citations omitted)].

survey participants regarding their activities included “spending a lot of time thinking about starting a business”, taking classes or workshops on starting a new business, saving money to invest in a new business and/or investing personal funds in a new business and developing a model or prototype for the first product or service. Other actions included writing an initial business plan, purchasing facilities and/or equipment, seeking financial support, applying for permits and/or patents and organizing a start-up management team. Almost all of the nascent entrepreneurs canvassed in these surveys engaged in two or more activities and the medium number of actions taken was seven.

Wagner reported that a study of nascent entrepreneurship in the US conducted by Kim, Aldrich and Keister found that while financial resources were not significantly associated with becoming a nascent entrepreneur, there were positive relationships between the probability of becoming a nascent entrepreneur and several human capital variables such as level of education, full-time work experience, previous start-up experience, current self-employment, and the percentage of relatives who are entrepreneurs. Information collected in 2001 from 29 countries that participated in the GEM survey for that year indicated that higher prevalence of nascent entrepreneurship among people with certain personal characteristics and attitudes including being male and younger, knowing an
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entrepreneur, perceiving a good opportunity for business, having business skills, not being overly fearful of business failure, having higher household income and feeling good about the future security of the family.  

For example, Wagner found relatively meager assessment of how nascent entrepreneurs fared in their efforts—did they move forward or did they stop and, if so, why—expressed particular concerns about fundamental methodology issues such as the time frame for follow up and the specification for empirical models of new venture creation process. The studies available at the time that Wagner wrote his paper were primarily from the US and among the persons evaluated in those studies one third to one half of them move forward to become “infant entrepreneurs” within a year following the point where they were first survey. A number of the nascent entrepreneurs concluded that their ideas were not viable and among those who had identified a viable business opportunity the responses indicated that the ones who “were more aggressive in making their business real, acting with a greater level of intensity, and undertaking more activities” were the nascent entrepreneurs most like to actually launch a business. In general, however, it was difficult to find a significant and consistent relationship between personal characteristics of the nascent entrepreneurs and the ultimate outcome with respect to creation of new businesses.

Categories of Entrepreneurship

The development of thought on the consequences and purposes and goals of entrepreneurship have led to an expansion of the field based on new and different ideas about the processes, behaviors and outcomes associated with entrepreneurship. Among other things, the recent growing recognition of social and environmental issues, and the accompanying opportunities to develop innovation solutions to problems in each of those areas, has led to the emergence of several new types or categories of entrepreneurs in addition to traditional commercial entrepreneurs: environmental entrepreneurs, or ecopreneurs; social entrepreneurs; and sustainable entrepreneurs.

Majid and Koe explained that the study of entrepreneurship has been broken out into several sub-fields or categories which simultaneously overlap (e.g., each category of

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entrepreneurship includes a need to survive economically at some level in order to remain viable) yet also have their own distinctive characteristics or primacies.  

- Regular/economic/commercial: Being economically orientated by discovering and exploiting opportunities to make profit, through processes of venture start-up, risk assumption, product or process innovation and resources management. Primary focus is on economic performance, although activities may also general environmental and/or social benefits.

- Green/environmental/ecopreneurship: Being environmentally or ecologically embedded by preserving natural resources and creating economic development. Focus is on addressing environmental or ecological problems and issues.

- Social: Being socially embedded by complementing social and profit goals. Focus is on contributing to social or public welfare and creating social values.

- Sustainable: Being future orientated by balancing the efforts in making contributions to produce economic prosperity; social justice and social cohesion; as well as environmental protection. Focus is “holistic” and includes and attempts to equally balance economic, environmental and social contributions.

Majid and Koe noted that the emergence of the sub-fields described above and the expanded focus of entrepreneurs beyond economic considerations represents a significant transition in entrepreneurship from the early 1970s when Friedman, one of the leading economists of his day, went on record as saying that “the social responsibility of business is to increase its profits”.

Lam created a classification scheme for different types of non-traditional entrepreneurs based on comparing their core motivations, main goals and the role of non-market goals.

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in the activities of the entrepreneur. The first type was ecopreneurship, which was described as having a core motivation of contributing to solving environmental problems and creating economic value. The main goal of ecopreneurship was to earn money by solving environmental problems and environmental issues were an integrated core element of the activities. The next type was social entrepreneurship, which was described as having a core motivation of contributing to solving societal problems and creating value for society. The main purpose of social entrepreneurship was to achieve societal goals and securing funding to achieve this and the societal goals were the ends for the activities. Finally, sustainable entrepreneurship was described as having a core motivation of contributing to solving environmental and social problems through the realization of a successful business. The main goal of the sustainable entrepreneur was to create sustainable development through entrepreneurial business activities and contributing to sustainable development was a core and integrated element.

Tilley and Young noted that entrepreneurs that place a primacy on environment protection or social equity are sometimes, incorrectly in their view, collectively labelled as social entrepreneurs. They argued that while this conflation probably occurs as a way to make a simple distinction from economic entrepreneurs, placing social and environmental entrepreneurs together under the heading of social enterprise often leads to misunderstanding about the ways in which these entrepreneurs and their organizations contribute to sustainable development.

**Growth-Oriented Entrepreneurship**

A number of different methods have been used to describe “growth-oriented entrepreneurship”; however, there is a consensus that there is a particularly desirable form of entrepreneurship that seeks to create and scale up businesses that will drive productivity growth, create new employment, increase innovation, promote business internationalization, and achieve sustainable economic growth. “Innovation” is a condition of growth-oriented entrepreneurship that includes both the development and commercialization of new products and services and the development and implementation of new or improved processes that enhance productivity or reduce costs associated with manufacturing or distributing existing products. Innovation involves firms pursuing distinctive business strategies and doing new things in new ways to increase productivity, product development, sales and profitability, including finding and developing new ways of identifying the needs of new and existing customers and making and marketing products that satisfy those needs. The goal of the launch phase for growth-

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oriented entrepreneurial ventures is to reach the point of “scale up” and common goals and activities associated with the launch phase include market disruption and penetration; gaining access to capital and markets and mentorship opportunities; organizational growth through management capacity, systems, resources (i.e., people, products and assets) management; embedding organizational culture; development of stakeholder relationships; monitoring and evaluation; and governance and reporting.

Entrepreneurship is a popular topic for researchers and policymakers around the world and much of the work in the area does not distinguish new businesses by size or strategy. However, it is now widely acknowledged that a sub-class of entrepreneurs, often referred to as “growth-oriented entrepreneurs” or “high-growth entrepreneurs”, can be identified and distinguished by their aspirations relating to job creation, innovation and internationalization, all of which have been positively related to the economic development that is important to so many governments.\(^{85}\) Acs and Szerb, the creators of the Global Entrepreneurship and Development Index (“GEDI”), argued that international rankings of entrepreneurial activities in various countries should place more weight and importance on the amount of entrepreneurial activity directed toward innovation, high-impact entrepreneurship and globalization focused their research on international entrepreneurship and “the efforts of the early-stage entrepreneur to introduce new products and services, develop new production processes, penetrate foreign markets, substantially increase the number of firm employees, and finance the business with either formal or informal venture capital, or both”.\(^{86}\)

As to what constitutes a “high-growth firm”, Audretsch offered several definitions.\(^{87}\) For example, the 2007 OECD-Eurostat Manual on Business Demography Statistics defined the term to include: “All enterprises with average annualized growth greater than twenty percent per annum, over a three-year period, and with ten or more employees at the beginning of the observation period. Growth is thus measured by the number of employees and by turnover.” The same source explained “gazelle firms” to be “[a]ll enterprises up to five years old with average annualized growth greater than twenty percent per annum over a three-year period, and with ten or more employees at the beginning of the observation period.” When Delta Economics surveyed “growth oriented” entrepreneurs in BRICSA countries, the US and Europe, it limited its survey to entrepreneurs running relatively young businesses (between 2 and 10 years old) that had turned over a minimum of $300,000 after the second year of trading and found that “growth oriented” businesses shared several common features: high growth rate in turnover; average employment of around 25 people and expectations of doubling the size of the workforce within three years; high likelihood that initial financing came from self-
investment, usually from savings; some level of innovation in the way in which they approached their markets, product differentiation or research and development; and international orientation. For Llisterri and Garcia-Alba, “new, dynamic ventures” in Latin America, Asia and Europe were “firms between three and ten years old that had grown to employ at least 15 workers, and no more than 100, during the study” and which were likely to engage in export activities and compete on innovation (i.e., offering differentiated products or services) rather than price.

As for characteristics of growth-oriented entrepreneurs, noted that there did not appear to be significant differences in the educational background of the founders of the dynamic and less dynamic companies. In most cases, they had attained high education levels and their college degrees had provided them with important technical knowledge, especially for the dynamic entrepreneurs; however, the educational system did little to transfer other skills necessary for successful entrepreneurship. Dynamic entrepreneurs appeared to have distinctly different learning processes for entrepreneurship than their counterparts among the less dynamic companies. For example, the previous work experiences of dynamic entrepreneurs provided significant advantages in terms of gathering information on business ideas and learning the skills necessary to commercialize those ideas. In addition, dynamic entrepreneurs were better able to establish and mine networks of relationships that provided them with valuable support on such things as identifying business opportunities, accessing funds, forging relationships with executives at larger companies and obtaining access to information and non-financial resources such as raw materials or facilities. Delta found that the top four drivers in motivating growth-oriented entrepreneurs worldwide were in order: following a dream; taking advantage of a market opportunity; getting autonomy over the entrepreneur’s time; and “making a lot of money”. While growth is an important facet of growth-oriented entrepreneurship, recognition has also been given to smaller firms that had opportunities to grow, and grow quickly, yet decided that while growth was a sign of health it was better to focus on “other, nonfinancial priorities as well, such as being great at what they do, creating great places to work, providing great service to customers, making great contributions to their communities and finding great ways to lead lives”.

Growth-Oriented Entrepreneurship

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88 The Association of Chartered Certified Accountants, High-growth SMEs: understanding the leaders of the recovery (July 2012) (based on data and analysis provided by Delta Economics in “Challenges and Opportunities for Growth and Sustainability”).
89 J. Llisterri and J. Garcia-Alba, HGSMEs in Latin American Emerging Economies. The paper was prepared for “The OECD Kansas City Workshop”, Session III. “From Invention to the Market Place: Acquiring knowledge and intellectual assets: The interaction between large firms and small business in the fast growth process”.
90 The Association of Chartered Certified Accountants, High-growth SMEs: understanding the leaders of the recovery (July 2012) (based on data and analysis provided by Delta Economics in “Challenges and Opportunities for Growth and Sustainability”).
91 B. Burlingham, “Best Small Companies”, Forbes (February 8, 2016), 86.
A number of different methods have been used to describe “growth-oriented entrepreneurship”; however, there is a consensus that there is a particularly desirable form of entrepreneurship that seeks to create and scale up businesses that will drive productivity growth, create new employment, increase innovation, promote business internationalization and achieve sustainable economic growth.

Criterion for growth-oriented entrepreneurship can be understood from the following descriptions:

- “Knowledge-based entrepreneurship” is entrepreneurship in the context of medium and high technology industries, both in the manufacturing and service sectors as well. Distinguishing factors include the sophistication or intensity of technology involved, level of education and product/service uniqueness.

- “Innovation” is a condition of growth-oriented entrepreneurship that includes both the development and commercialization of new products and services and the development and implementation of new or improved processes that enhance productivity or reduce costs associated with manufacturing or distributing existing products. Innovation involves firms pursuing distinctive business strategies and doing new things in new ways to increase productivity, product development, sales and profitability, including finding and developing new ways of identifying the needs of new and existing customers and making and marketing products that satisfy those needs.

- “Opportunity-based entrepreneurship” focuses on the motives of the entrepreneur and includes entrepreneurship undertaken to take advantage of a business opportunity. The key characteristic among opportunity-based entrepreneurs is their acknowledgement that they made a voluntary career choice to pursue an entrepreneurial path.

- “Genuine entrepreneurship” describes situations where individuals start businesses with the goal of generating sufficient income so that a portion of it can be reinvested in order to underwrite business growth and development.

- “High-impact entrepreneurship” combines various characteristics and goals of entrepreneurial activity including innovation (i.e., development of new technologies, products and/or services and/or development of new production processes), penetration of foreign markets and globalization of overall business activities, an objective of substantially increasing the number of firm employees, and financing the business with risk capital.

Relevant metrics for growth-oriented entrepreneurship include changes in sales, assets, employment, productivity, profits and profit margins.

The goal of the launch phase for growth-oriented entrepreneurial ventures is to reach the point of “scale up” and common goals and activities associated with the launch phase include market disruption and penetration; gaining access to capital and markets and mentorship opportunities; organizational growth through management capacity, systems, resources (i.e., people, product and assets) management; embedding organizational culture; development of stakeholder relationships; monitoring and evaluation; and governance and reporting.

Finally, framework conditions for growth-oriented entrepreneurship to flourish and sustain include financial support; government policies; government programs; education and training; research and development transfer; commercial and professional infrastructure; internal market openness; access to physical infrastructure; cultural and social norms; and protection of intellectual property rights.

**Knowledge-Based Entrepreneurship**

A topic closely related to “entrepreneurship and innovation” is “knowledge-based entrepreneurship”, which has been defined by Mani as “entrepreneurship in the context of medium and high technology industries, both in the manufacturing and service sectors as
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According to Aidis, “[k]nowledge based entrepreneurship focuses on the development of innovation in sectors that necessitate high levels of human capital, technology and research”. The China Association for Management of Technology has provided support for the publication of the “Journal of Knowledge-based Innovation in China”, which is focusing on knowledge, innovation and development; the development of global, national, regional and sectoral innovation systems for knowledge creation and sharing; the role of governments, universities and public institutions in the “knowledge economy”; venture capital in knowledge-based innovation and entrepreneurship; regional economic and social development strategy; knowledge management and learning networks; managing intellectual property rights and international technology transfer; and culture and innovation.

With respect to India, Mani noted that the specific industries considered to meet the criteria for “knowledge-based” status include chemical and chemical products, metal products and machinery, electrical machinery, transport equipment, communication services, computer-related services and research and development services. Scholars and policymakers have shown a strong interest in promoting knowledge-based entrepreneurship, particularly in developing countries, and the GEM has identified the following facilitating factors or framework conditions for “knowledge-intensive entrepreneurship” to flourish and sustain: financial support; government policies; government programs; education and training; research and development transfer; commercial and professional infrastructure; internal market openness; access to physical infrastructure; cultural and social norms; and intellectual property rights protection.

Gupta, focusing specifically on facilitating and supporting “technology-based” entrepreneurship in India, suggested similar types of supporting activities, including creating the right environment for success (i.e., entrepreneurs should find it easy to start a business; ensuring that entrepreneurs have access to the right skills, both entrepreneurial (i.e., how to manage, finance and grow businesses) and functional (i.e., technical, product development, marketing, human resources, etc.); ensuring that entrepreneurs have access to “risk capital” and enabling networking and exchange so that entrepreneurs can learn quickly from the experiences of others. Gupta is one of many researchers who have

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used “technology-based” entrepreneurship as the point of reference and Mani has cautioned that knowledge-based entrepreneurship is a narrower concept focusing on medium- and high-technology industries.

Successes in larger developing countries such as India and China have triggered interest in the potential of knowledge-based entrepreneurship in other developing countries; however, researchers have identified some of the specific challenges to knowledge-based entrepreneurship in developing countries, such as understanding and overcoming contextual factors (e.g., reliance on agrarian activities, low literacy rates, low exposure and mobility and cultural/religious beliefs that an not conducive to entrepreneurial activities), lack of technical knowledge and practice experience, lack of industrial and social infrastructure and access to financing. Even in those developing countries where a private sector has emerged firms still have difficulties with knowledge-based activities because of their lack of familiarity with knowledge management systems, a reluctance of employees to share information and ideas and a lack of experience in managing the development and commercialization of knowledge-based products and services.

**Entrepreneurship in Large Companies—“Intrapreneurship”**

The term “entrepreneurial” has become synonymous with the innovative and adaptive qualities associated with smaller firms and larger companies have taken affirmative steps to integrate entrepreneurial features into their organizational structures and cultures in an effort to compete successfully with emerging companies launched with must fewer people and resources. Some companies implemented the practice of “intrapreneurship,” which was first formally defined in the American Heritage Dictionary as "a person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation". The core of intrapreneurship is creating opportunities for employees to be more self-directed in order to enable them to be more creative and innovative. For example, companies might adopt programs that allow groups of employees to propose their own team projects focusing on new products or technologies and obtain funding and other resources for those projects. Other companies have formal policies allow employees to spend a specified percentage of the working time on developing their own business ideas. Intrapreneurship has required large companies to modify their organizational structures to accommodate teams that work separately on new ideas as a de facto “start-up” business within the company. In order for intrapreneurship to be successful companies must identify and empower the right people, separate them from the regular bureaucracy that generally emerges as companies grow and mature so that they are free to develop new ideas that sometimes displace the company’s traditional products and technologies, and develop tangible and intangible rewards for intrapreneurial behavior.

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Audretsch (Eds), Sustaining Entrepreneurship and Economic Growth—Lessons in, Policy and Industry Innovations from Germany and India (New York: Springer, 2009) (testing whether the pattern of knowledge-intensive industries such as software is influenced by education, venture capital and social and culture factors such as ethnic and gender diversity).


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Team-Based Venturing and Entrepreneurship

While a good deal of the research on entrepreneurship and entrepreneurial personalities assumes, at least implicitly, that there is a single actor (i.e., one “entrepreneur”), there is a growing interest in studying the dynamics of “team venturing”, which assumes that the pursuit of an entrepreneurial activity such as the creation of a new venture is done by a team of two or more persons acting in concert. Researchers have observed that “[t]eam-based entrepreneurship reduces the scarcity of resources by bringing founders with diverse profiles together, who also contribute a broader portfolio of technical and managerial knowledge and resources”.97 In fact, several studies have concluded that team-based entrepreneurship is more successful when compared to the activities overseen by single entrepreneurs.98 Additional research is required on the dynamics of team-based entrepreneurship, particularly given the high likelihood of conflicts among individuals with strong streaks of individualism and internal locus of control. The situation becomes even more interesting when venturing teams include members from different countries with diverse cultural backgrounds. A multi-cultural team is certainly advantageous when embarking on international entrepreneurship activities since it is presumably useful to have team members with experience and knowledge about the economic, cultural, social and political environment of the countries in which the venture will be operating; however, cultural diversity increases the possibility of conflicts beyond that which has already been alluded to above.99

Definitions and Types of Entrepreneurship in Developing Countries

Acs and Virgill observed that the term “entrepreneurship” is often used in several different ways when discussed in connection with developing countries.100 For example, studies of entrepreneurship in developing countries often focus explicitly and primarily on “small- and medium-sized enterprises” (“SMEs”). In other cases, discussions of

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entrepreneurial activities in developing countries include persons and firms found in the “informal sector” as well as those engaged in “petty capitalism”.\textsuperscript{101} In many cases, combining firms in the informal sector with SMEs in developing regions such as Africa results in a large group of small traders which is collectively responsible for 65\%-70\% of total GDP\textsuperscript{102} and this means that efforts to study and incentivize entrepreneurial activities in developing countries must take into account firms operating both inside and outside the formal institutional framework. Petty capitalism can be found in many forms and has been described as including “small businesses which employ relatively few employees and rely heavily on their owner’s and owner’s family’s labor”.\textsuperscript{103} Acs and Virgill cited several examples of petty capitalism including the numerous export enterprises of Hong Kong, the maquila workshops in Mexico and furniture manufacturers in Italy.\textsuperscript{104} The terminology landscape in developing countries clearly contrasts with the approach taken by scholars of entrepreneurship in the US and other developed countries—they make a strong distinction between entrepreneurship and SMEs based on their intentions with respect to growth\textsuperscript{105}; however, in developing countries it is generally advisable to adopt a broader definition of entrepreneurship that includes SMEs, the informal sector, petty capitalists and the relatively rare dynamic entrepreneur given that each of these actors is capable of generating something that is “new” in what Schumpeter probably meant when he referred to “the humblest levels of the business world”.\textsuperscript{106}

Studies of entrepreneurship in developing countries have often focused extensively on distinctions between “necessity-based” and “opportunity-based” entrepreneurs, which is often viewed as a distinction between proprietors who start their own businesses when no other options are available in order to find a way to sustain their families and persons who start businesses with the intent of not only bringing in sufficient income to support themselves and their families but also to generate excess capital that can be reinvested in

\textsuperscript{101} Id. at 31 (citing A. Smart and J. Smart, Petty Capitalists and Globalization: Flexibility, Entrepreneurship, and Economic Development (Albany, NY: State University of New York Press, 2005).
\textsuperscript{103} Id.
\textsuperscript{104} Id.
\textsuperscript{106} Id. (citing J. Schumpeter, The Creative Response in Economic History, The Journal of Economic History, 7(2) (1947), 149-159, 151). Notice should be taken that there is also debate as to which firms in developing countries are most effective at driving innovation. Amsden, for example, has argued that large privately-owned enterprises are the innovative firms in developing countries since they are more flexible and innovative than subsidiaries of foreign multinationals or state-owned enterprises. See A. Amsden, “Firm Ownership and Entrepreneurship” in A. Szirmai, W. Naudé and M. Goedhuys (Eds.), Entrepreneurship, Innovation and Economic Development (Oxford: Oxford University Press, 2011), 65-77.
order to underwrite business growth and development. For example, Mani noted that it is often assumed that economic growth in developing countries will necessarily follow efforts to increase measured levels of entrepreneurship in those countries; however, he observed that “... the reality is more complicated. It is important to distinguish between ‘necessity entrepreneurship’ and ‘opportunity entrepreneurship’. In necessity entrepreneurship, one has to become an entrepreneur because there is no better option for the person involved, whereas opportunity entrepreneurship is an active choice to start a new enterprise based on the perception that an unexploited or underexploited business opportunity exists. Necessity entrepreneurship has little or no effect on economic growth while opportunity entrepreneurship has a positive and significant effect.”

Acs and Szerb, like others, observed that an understanding of entrepreneurship requires going beyond the traits and characteristics of the individual entrepreneur to also consider institutional variables and they noted that “[t]he dynamics of the [entrepreneurial] process can be vastly different depending on the institutional context and level of development within an economy”. They explained that entrepreneurship occurs within an environment that is influenced by economic development and that development directly impacts and strengthens institutions that eventually affect characteristics that are considered to be vitally important to the phenomenon of entrepreneurship such as quality of governance, access to capital and other resources, the perceptions of entrepreneurs and incentive structures for prospective entrepreneurs. Researchers have found evidence that the strengthening of institutions causes more entrepreneurial activity to be shifted toward “productive entrepreneurship” which, in turn, strengthens economic development. Entrepreneurial activity reaches its highest level of intensity as countries go through the innovation-driven stage and eventually levels off as institutions are fully developed and the country has achieved a high level of innovation.

The lack of institutions in many developing countries often results in a shortage of formal employment opportunities in those countries and leaves substantial portions of the population with little choice but to set out on own. So-called “reluctant entrepreneurship” of this type also follows loss of employment, which may be caused by one of the frequent economic shocks that developing countries are prone to suffer.
Several extensive studies of global entrepreneurship, including the Global Entrepreneurship Monitor, commonly referred to as the “GEM”, and the Global Entrepreneurship and Development Index, have provided additional information on entrepreneurial types in developing countries, the factors that have motivated them to choose and pursue entrepreneurship and the impact that economic development is likely to have on the face of entrepreneurship in those countries.\(^\text{113}\)

Lingelbach et al. explored some of the factors that they perceived as making entrepreneurs in developing countries “different”.\(^\text{114}\) They first noted that researchers had identified several categories of entrepreneurial firms in developing countries including “newly established”, “established but not growing”, “established but growing slowly”, “graduates of a larger size” and, a somewhat recent phenomenon, “new and growth-oriented firms” (similar to “opportunity-based entrepreneurs” mentioned above).\(^\text{115}\) Turning their attention to the specifics of building successful growth-oriented firms in developing countries, Lingelbach et al. mentioned the following “distinctive attributes of entrepreneurship in developing countries”:

- Since developing countries lack a “stable of mature markets”, entrepreneurs in those countries have a broader range of opportunities available to them than their counterparts in developed countries. In other words, while entrepreneurs in developed countries generally operate on the fringes of the economy, developing country entrepreneurs can, if they wish, place themselves in the core of their economies pursuing solutions for needs and opportunities that are more widespread.

- The fragmented and immature markets in developing countries reduce the threat of well-established incumbents; however, entrepreneurs must contend with the much higher levels of risk associated with the economic, political and regulatory uncertainties that generally exist in developing countries. Lingelbach et al. suggested that entrepreneurs in developing countries cope with these risks by operating a portfolio of businesses to manage risks through diversification. Capital raised in one business can be used to providing financing for other businesses and Lingelbach et al. suggested that “interlocking businesses provide a source of informal information flow, access to a broader pool of skills and resources and, when well implemented, a brand name that can be leveraged across all businesses”.\(^\text{116}\)

- Entrepreneurs in developing countries face significant challenges with obtaining the necessary financial resources and use several strategies to overcome those problems. They typically start downstream businesses to reduce initial capital requirements and gain access to customers and information flow. They also rely on informal funding

\(^{113}\) For further discussion of both the GEM and the Global Entrepreneurship and Development Index, see “Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).


\(^{115}\) Id. at 3 (citing C. Liedholm and D. Mead, Small Enterprises and Economic Development: The Dynamic Role of Micro and Small Enterprises (London: Routledge, 1999).

\(^{116}\) Id. at 4.
provided through well-developed family networks rooted in both urban and rural areas—Lingelbach et al. noted that there are “greater pools of private saving in the countryside”.  

- Family-owned and operated businesses remain more common in emerging markets than in developed countries since entrepreneurs in developing countries still lack mentorship and apprenticeship opportunities that can expose them to the skills and experiences needed to launch and expand businesses in challenging environments. Developing country entrepreneurs must have different skills including the ability to “see through the fog of politics and economics in crisis-prone developing countries” and to be perceived as “trustworthy” in a situation where transactions are most often based on trust rather than formal contracting rules.

### Environmental Entrepreneurship (“Ecopreneurship”)

Interest in sustainable development has arisen from concerns about the impact that economic growth would have on the Earth’s finite natural resources and some of the parties involved in that debate argued that while overuse was an issue it would eventually be addressed through market forces. According the York and Venkataraman, there are several different ways that environmental degradation can be addressed:

- Government regulation and control, the so-called “visible hand”; however, while the government has promulgated an expansive portfolio of regulations over the last several decades environmental degradation has continued to occur;
- Stakeholder activism, such as lobbying action by non-governmental organizations focusing on perseverance of natural resources;
- Corporate social responsibility initiatives launched by individual corporations on their own initiative as ethics-based programs to address environmental problems they are responsible for or have association with—initiatives that have been critiqued as being more about doing “less bad” than doing good; and
- Other forms of corporate action which include cost savings and differentiation with an important goal of gain a competitive advantage by implementing environmentally friendly practices (e.g., creating a positive public image by being perceived as a “green business”).

Going down a path on which market forces would eventually address the environmental problems that the market itself created, Gibbs explained the concept of “ecological modernization”, which he described as a process of the progressive transformation and modernization of the institutions of modern society in order to avoid ecological crisis. In this view, it was not just market forces that would “save the Earth”, but also the inert

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117 Id. at 5.
118 Id. at 7.
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drive of capitalism for innovation that would be harnessed to realize environmental improvements, thus allowing the world to continue forward with “modernization” undeterred by environmental crises. According to Roberts and Colwell: “ecological modernization suggests that it is possible to integrate the goals of economic development, social welfare and environmental protection, and that through this reconciliation synergies will be generated which can be harnessed and put to good use.”

While appealing, there is not sufficient evidence to conclude that ecological modernization is inevitable and it would certainly require cooperation and participation by various actors. Incumbent businesses in the private sector would presumably consider acting in order to gain various advantages: through greater business efficiency due to reduced pollution and waste production; avoiding future financial liabilities, such as the potential cost of contaminated land clean-up; through improved recruitment and retention of the workforce due to the creation of a better work environment; from the potential for increased sales of more “environmentally friendly” products and services; and through the sale of pollution prevention and abatement technologies. As for political institutions, several measures would seem to be appropriate: restructuring of production and consumption towards ecological goals, including the development and diffusion of clean production technologies; decoupling economic development from the relevant resource inputs, resource use and emissions; exploring alternative and innovative approaches to environmental policy, such as “economizing ecology” by placing an economic value on nature and introducing structural tax reform; and integrating environmental policy goals into other policy areas; and the invention, adoption and diffusion of new technologies and production processes.

In 1987 the World Commission on Environment and Development of the United Nations (generally referred to simply as the “Brundtland Commission”), issued a report which described sustainable development as “a process in which the exploitation of natural resources, the allocation of investments and the process of technological development and organizational change are in harmony with each other for both current and future generations”. The publication of the report fueled what quickly became a comprehensive dialogue on the impact that economic growth was having on the global environment and biodiversity. The early 1990s saw the adoption of extensive new environmental regulations and the emergence of what was referred to as the “green

Corporate social responsibility was also becoming more important and businesses were beginning to see that integrating ecological concerns into their business models could not only be popular with consumers but also help them reduce costs and the risks associated with operations that might be harmful to surrounding communities and the world generally. Given these changes in behavioral patterns and the rise of social institutions concerned with protecting the environment, the scene was set for the emergence of environmental entrepreneurship, or “ecopreneurship”, which often took the form of startups based on more sustainable business models and deploying processes reflecting greater concern for environmental and, and latterly more social issues. Like traditional entrepreneurs, ecopreneurs sought to satisfy unmet needs or identify an unresolved problem in the marketplace; however, while traditional entrepreneurs focused on generating economic value, with creating social value being ancillary, an ecopreneur is a mission-driven individual “who starts up a business with ‘green’ initiatives from day one, with strong commitment to transforming a sector of the economy towards becoming more sustainable and environmentally responsible”. Ecopreneurship offered another path to addressing issues of environmental degradation and ecopreneurs did not just run a “green business” but incorporated innovation into a mission that focused on creating value for sustainable development with products and services that not only generated economic growth but also created societal benefits.

Researchers noted that ecological modernization was arguably an area particularly well suited to entrepreneurial action by ecopreneurs. While ecopreneurs have been described as “social activists, who aspire to restructure the corporate culture and social relations of their business sectors through proactive, ecologically oriented business strategies”\cite{130}, they are also able to attack and address environmental issues using the Schumpeterian “process of creative destruction” that includes creating new products, services, processes and “ways of doing work” that challenge, and eventually overturn, conventional methods.\cite{131} As explained by Schaltegger: “ecopreneurs destroy existing conventional production methods, products, market structures and consumption patterns and replace them with superior environmental products and services … [and] … create

\begin{thebibliography}{99}
\bibitem{129} M. Schaper, Making Ecopreneurs: Developing Sustainable Entrepreneurship (Aldershot, UK: Ashgate, 2005).
\end{thebibliography}
the market dynamics of environmental progress.”\(^{132}\) The businesses that they form have been referred to by Isaak as “green-green businesses”, firms that have been founded from the outset on an environmentally friendly basis and with a focused mission on achieving social and ethical transformation of their specific business sectors.\(^{133}\)

It has been argued that the emergence and success of ecopreneurship has turned on the ability of ecopreneurs to exploit sources of opportunity such as uncertainty and market failure. There is significant uncertainty with respect to the environment and multiple stakeholders continuously struggle to find solutions for problems such as environmental degradation, pollution, waste and contamination and resource depletion. While incumbent companies recognize these problems, they are often reluctant to invest in the development of innovative solutions due to the opportunity costs of their current investments. In contrast, ecoentrepreneurs are willing and eager to accept uncertainty in exchange for the possibility of being rewarded with a premium and also do not have to worry about diminishing the value of their previous investments. Environmental degradation is also a form of market failure: government regulations, subsidies and incentives have proven to be inappropriate and ineffective interventions in many cases and traditional commercial entrepreneurs have struggled to appropriate the gains emanating from their investments in new environmental technology and convince consumers to pay for the related products and services. Ecopreneurs have been successful where the government and commercial entrepreneurs have struggled by engaging customer-focused entrepreneurship that emphasizes identifying specific customer needs for environmental products and services and then addressing another form of market failure, imperfect information, by informing customers about the environmental attributes of products and services and the health and environment effect of methods of production, product contents, product use and post-consumption disposal.\(^{134}\)

Bell and Stellingwerf noted that a variety of terms have been used to describe “entrepreneurship behavior conducted through an environmental lens” including eco-entrepreneurship, environmental entrepreneurship, Enviropreneurship, green entrepreneurship and green–green businesses.\(^{135}\) They preferred “ecopreneurship” and included the following examples of definitions and conceptualizations of that term.\(^{136}\)

\(^{134}\) P. van Eijck, Sustainable Entrepreneurship: Institutional profile and cross-country comparison Denmark & US and its Viability (Rotterdam: Bachelor Thesis in Entrepreneurship, Strategy and Organizations Economics from Erasmus School of Economics, January 2012), 10.

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• “A person who seeks to transform a sector of the economy towards sustainability by starting up a business in that sector with a green design, with green processes and with a life-long commitment to sustainability”.

• “Entrepreneurs who found new businesses based on the principle of sustainability - Ecopreneurs are those entrepreneurs who start for-profit businesses with strong underlying green values and who sell green products or services”.

• “Individuals or institutions that attempt to popularise eco-friendly ideas and innovations either through the market or non-market routes may be referred to as Ecopreneurs”.

• “Usually the Ecopreneur has a ‘raison d’etre’ that exceeds their desire for profits and often this is associated with making the world a better place to live.”

• “Ecopreneurs can be classified according to two criteria: (1) their desire to change the world and improve the quality of the environment and life; and (2) their desire to make money and grow as a business venture.”

• Ecopreneurs are visionaries, with the ability to foresee a “demand for fundamental innovations in traditional markets. The challenge is to be economically successful with the supply of products and services that change - on a purely voluntary basis - consumption patterns and market structures, leading to an absolute reduction of environmental impacts”.

• Ecopreneurs are effectively decisive change agents, enabling the world to change its path, are highly motivated in making a difference and displacing unsustainable means, an important transitional role in sustainability.

Bell and Stellingwerf argued that ecopreneurs filled gaps in the marketplace that could not be effectively addressed by large incumbent firms or traditional entrepreneurs. While many established companies appreciate the importance of taking steps to operate in a more environmentally friendly manner, many feel that the sustainability strategies of these companies are “push” strategies driven by their need to comply with the demands of external regulatory bodies and other stakeholders. In contrast, ecopreneurs act to implement “pull” strategies based on actively taking a stance towards becoming...
“greener” and building a competitive advantage over less “green” firms. As for distinctions between traditional entrepreneurship and ecopreneurship, the following words of Bell and Stellingwerf are instructive: “Entrepreneurs may effectively bring new combinations to the economy—i.e., new products, methods and markets. However, it is the Ecopreneur who plays a critical role in the development process, constructing environmentally friendly products, processes, and services toward the sustainable development objective—‘development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs’.”

While their small size and relative lack of resources appeared to make ecopreneurial startups unlikely candidates for transforming business sectors, many researchers believed that these startups were actually well positioned to identify and exploit innovative technological strategic niches that can not only bring about technological change but also challenge and pressure existing institutions, rules and norms. As explained by Smith, ecopreneurs are “the ‘idealists (producers and supportive users) who initiate a sustainable niche [and] are later joined by entrepreneurial ‘system builders’ who opren the niche out to a wider set of users) and, eventually, by serious amounts of capital seeking to profit from the proto-regime”.

**Social Entrepreneurship**

According to Daft and Marcic, “social entrepreneurship” seeks to launch and build companies that are entirely focused on combining good business with good citizen and the leaders of these companies, the “social entrepreneurs”, are primarily interested in improving society rather than maximizing profits while nonetheless demanding high performance standards and accountability for results. Examples of “for profit” social entrepreneurship run the gambit of commercial activities from partnering with traditional banks to offer microloans to small businesses in developing countries to launching manufacturing facilities in poor areas to provide jobs and produce products that can be distributed at no costs to community members to improve their lives. While many of these businesses are not started with the intent to generate significant profits, a number of them have achieved impressive profits margins and market shares. In addition, Tilley and Young observed that “the concept of social entrepreneur is very broadly interpreted to mean any organization that is operating in a not-for-profit capacity ... [including] ...
Definitions and Types of Entrepreneurship

community based organizations tackling education, poverty, health, welfare and well-being issues as well as organizations attempting to address environmental concerns relating to renewable energy, waste minimization, pollution abatement and water quality (to name a few).  

Austin et al defined social entrepreneurship as an “innovative, social value creating business activity that can occur within or across the non-profit, business, or government sectors” and van Eijck observed that the “organizational form is usually based on the most attractive form to gain resources for the social mission”. Dees described social entrepreneurs as companies who play the role of change agents in the social sector by adopting a mission to create and sustain value (not just private value); recognizing and relentlessly pursuing new opportunities to serve that mission; engaging in a process of continuous innovation, adaptation, and learning; acting boldly without being limited by resources currently in hand, and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

When writing about social entrepreneurship, some researchers have largely ignored the economic outcomes associated with the entrepreneurial activities while other researchers do acknowledge that economic performance is relevant but cannot be more important than the social goals and objectives. When social entrepreneurship was first recognized it was typically associated with non-profit organizations; however, as time has gone by the conceptualization has broadened and even non-profits have participated in commercial activities to access financial resources for the social activities that would have otherwise been difficult to obtain. Social entrepreneurship can also create competitive advantages similar to those sought by traditional entrepreneurs (e.g., developing and offering innovation solutions to environmental degradation or a social justice problem) that allow social entrepreneurs to enjoy economic returns without impairing or interfering with their social objectives. As such, it is no longer taboo to profit from satisfying humanitarian and ecological needs so long as the profits are reinvested in activities that further the social objectives (e.g., distribute and add value to employment, investments in machines, infrastructure, sponsoring and labor participation).

These elements appear in the definition of sustainable, not social, 

\begin{itemize}
  \item F. Tilley and Young, “Sustainability Entrepreneurs -- Could they be the True Wealth Generators of the Future?”, Greener Management International, 55 (2009), 79.
  \item J. Austin, H. Stevenson and J. Wei-Skillern, “Social and Commercial Entrepreneurship: Same, different, or both?”, Entrepreneurship Theory and Practice, 30(1) (2006), 1, 2.
  \item P. van Eijck, Sustainable Entrepreneurship: Institutional profile and cross-country comparison Denmark & US and its Viability (Rotterdam: Bachelor Thesis in Entrepreneurship, Strategy and Organizations Economics from Erasmus School of Economics, January 2012), 7.
  \item P. Dacin, M. Dacin and M. Matear, “Social Entrepreneurship: Why we don’t need a new theory and how we move forward from here”, Academy of Management Perspectives, 24(2) (2010), 36.
  \item P. van Eijck, Sustainable Entrepreneurship: Institutional profile and cross-country comparison Denmark & US and its Viability (Rotterdam: Bachelor Thesis in Entrepreneurship, Strategy and Organizations Economics from Erasmus School of Economics, January 2012), 7-8.
\end{itemize}
entrepreneurship offered by Crais and Vereeck: “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce”.  

Social entrepreneurship was first investigated in the 1990s and emerged naturally with the popularization of ecopreneurship, no surprise given that it was impossible for ecopreneurs to achieve their goal of “changing the world” and improving the overall quality of life without also acting in a socially responsible fashion. In fact, several of the definitions of ecopreneurship presented elsewhere in this chapter explicitly incorporate a social dimension. However, as opposed to the ecological and environmental issues and problems that ecopreneurs were focus on, social entrepreneurship gathered speed on the heels of four trends: global wealth disparity; the growth of the corporate social responsibility movement; market, institutional and state failures; technological advances and shared responsibility.

Lumpkin et al. suggested that both “traditional” and social entrepreneurs have a lot in common and that many entrepreneurial processes used by the two groups remained the same or are affected only slightly. However, while a traditional entrepreneur measures his or her performance primarily through profits and return on investment, social entrepreneurs generally measure success by creating social capital, social change and addressing social needs. These distinctions are important because they influence the opportunities that social entrepreneurs pursue and their behaviors while operating their businesses (i.e., as opposed to traditional entrepreneurs who are comfortable with and must engage in high risk/high reward behaviors, social entrepreneurs, who are not focused on quick economic profits, are more risk averse but no less committed to their goals of social improvement). As is the case with ecopreneurs, social entrepreneurs are not totally indifferent to profits, or at least “breaking even”, since capital is necessary in order for their businesses to survive over the often lengthy journeys to the desired social impact. This is no small challenge for social entrepreneurs since they often are involved in activities that address a social-market failure caused by a lack of interest of traditional entrepreneurs due to the belief that there is no viable commercial market that will generate an acceptable level of revenues to justify the investment of capital.

162 See J. Austin, H. Stevenson and J. Wei-Skillern, “Social and commercial entrepreneurship: Same, different, or both?”, Entrepreneurship: Theory and Practice, 30(1) (2006), 1, 2 (stating that the existence of
Bell and Stellingwerf provided a variety of different definitions and conceptualizations of social entrepreneurship:

- Profit making is not the primary goal of a social entrepreneur and generated profits from market activities should be used for the benefit of a specific disadvantaged group.
- Profit is less important, and the social aspect should be balanced at least equally to profit, a challenge that has been conceptualized as the “double bottom line” that balances both social (people) and economic (profit) returns on investment.
- Social entrepreneurs “play the role of change agents in the social sector, by adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies served and for the outcomes created.”
- Social entrepreneurship “emphasizes innovation and impact, not income, in dealing with social problems” and social entrepreneurs are focused on introducing a novel, innovative technology or approach aimed at creating social impact.
- Social Entrepreneurship is “the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs”.
- “Social Entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner.”

Like traditional entrepreneurs, social entrepreneurs need to identify and exploit opportunities, create and manage their organizations in innovative ways and, as emphasized by Bell and Stellingwerf, “acquire substantial resources including, human, social and financial capital to not only accomplish their mission, but also to ensure such social-purpose organizations emerge when there is a social-market failure, i.e., commercial market forces do not meet a social need).”

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164 C. Leadbeater, The rise of the social entrepreneur (London: Demos, 1997).
resources are sustaining the organization’s longevity.\textsuperscript{170} This is often quite challenging to social entrepreneurs who often are surprised to find competition that is intense as what is commonplace in the commercial sector. For example, social entrepreneurs must be able to differentiate themselves from other worthy causes and forge and maintain relationships with a number of stakeholder groups including donors, professional employees, volunteers and the intended beneficiaries of the entrepreneurial initiatives.\textsuperscript{171}

Bell and Stellingwerf observed that the obvious similarity between ecopreneurship and social entrepreneurship is that they both incorporate a “double bottom line” within the company's mission: balancing economic returns with other considerations (i.e., environmental or social impact).\textsuperscript{172} This observation is consistent with the views of Schaltegger and Wagner, who wrote:: “Even though the historic trajectories of these types (Eco- & Social Entrepreneurship) differ, it seems that the underlying motivations for the activities are very similar and this seems to make likely a convergence of these currently rather independent literatures”.\textsuperscript{173} As discussed below, the anticipated convergence is often defined and described as “sustainable entrepreneurship” or “sustainability entrepreneurship” and is based on the conceptualization the deployment of entrepreneurial tools and practices to solve either an environmental or societal problem (i.e., recognize market imperfections and/or unmet needs in the realms of ecology or society and address them through the introduction of innovative products, services and processes) while maintaining a focus on creating economic value—in other words, businesses that use the “triple bottom line” as their guide.\textsuperscript{174}

**Sustainable Entrepreneurship**

By the 1990s it was becoming clear that sustainability had “become a multidimensional concept that extends beyond environmental protection to economic development and social equity”—in other words, entrepreneurship guided and measured by the three pillars of the “triple bottom line”.\textsuperscript{175} Crals and Vereeck reasoned that “sustainable entrepreneurship” could be interpreted as a spin-off concept from sustainable development and that sustainable entrepreneurs were those persons and companies that

contributed to sustainable development by “doing business in a sustainable way”\textsuperscript{176}. According to the Brundtland Commission, sustainable entrepreneurship is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce, their families, the local and global community as well as future generations.\textsuperscript{177} This definition recognizes several different stakeholder groups, not just shareholders, must be taken into account when managerial decisions are made and operational activities in furtherance of the organizational purposes are carried out. Crals and Vereeck argued that in order for entrepreneurial activity to be “sustainable” it must recognize, address and satisfy certain standards for each of the 3 P’s of the triple bottom-line described above.\textsuperscript{178} Crals and Vereeck observed that the definition of sustainable entrepreneurship was not static given the dynamism of new ideas and standards with respect to the social and natural environment.\textsuperscript{179} Bell and Stellingwerf compiled what they considered to be a representative list of definitions of “sustainable entrepreneurship” that were suggested from 2003 through 2011, all of which are presented below in chronological order: \textsuperscript{180}

- “Innovative behavior of single or organizations operating in the private business sector who are seeing environmental or social issues as a core objective and competitive advantage”.\textsuperscript{181}
- “The continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce, their families, local communities, the society and the world at large, as well as future generations. Sustainable Entrepreneurs are for-profit entrepreneurs that commit business operations towards the objective goal of achieving sustainability”.\textsuperscript{182}
- “The process of discovering, evaluating, and exploiting economic opportunities that are present in market failures which detract from sustainability, including those that are environmentally relevant”.\textsuperscript{183}

\textsuperscript{177} Id.
\textsuperscript{179} For further discussion of sustainable entrepreneurship, see “Sustainable Entrepreneurship” in “Entrepreneurship: A Library of Resources for Sustainable Entrepreneurs” prepared and distributed by the Sustainable Entrepreneurship Project (www.seproject.org).
• “The examination of how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom, and with what economic, psychological, social, and environmental consequences”.

• “Create profitable enterprises and achieve certain environmental and/or social objectives, pursue and achieve what is often referred to as the double bottom-line or triple bottom line”.

• “The discovery and exploitation of economic opportunities through the generation of market disequilibria that initiate the transformation of a sector towards an environmentally and socially more sustainable state”.

• “An innovative, market-oriented and personality driven form of creating economic and societal value by means of break-through environmentally or socially beneficial market or institutional innovations”.

• “Sustainable Entrepreneurship is focused on the preservation of nature, life support, and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for gain, where gain is broadly construed to include economic and non-economic gains to individuals, the economy, and society”.

From their perspective, Bell and Stellingwerf believed that the definitions collectively identified four defining attributes of sustainable entrepreneurship:

• *Balancing environmental and social concerns*: Bell and Stellingwerf observed that sustainable entrepreneurship was “a balancing act of strategically managing and orienting environmental and social objectives and considerations, with entity specific financial goals steering the business objective” and that sustainable entrepreneurship required finding the right balance with the disparate economic, social, cultural and ecological environments in which businesses must operate. They also noted that in the course of their efforts to limit and minimize the environmental and social impact of their activities sustainable entrepreneurs focused on improving the quality of their processes.

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### Economic gains

Entrepreneurship, sustainable or otherwise, has making a profit as an essential characteristic and objective and the concept of “gain” can be found throughout the definitions reproduced above. However, sustainable entrepreneurship is based on a broad construction of gain that includes economic and non-economic gains to individuals, the economy and society. Profits are recognized as being essential to sustaining the livelihood of businesses and providing entrepreneurs with the resources that are need for reinvestment in the sustainable goals of their companies. Bell and Stellingwerf argued that entrepreneurial activities can only be labelled sustainable, and therefore satisfy sustainable development, if there is an equal blending of, and equal consideration for, each of the 3 P’s of the triple bottom line described above.

### Market failures and disequilibria

Half of the definitions reproduced above explicitly mentioned recognition and exploitation of opportunities caused by environmental and/or social imperfections and identification of opportunities has been a long-standing tenant of disruptive entrepreneurship. Cohen and Winn argued that there are four types of market imperfections (i.e., inefficient firms, externalities, flawed pricing mechanisms and information asymmetries) that contribute to environmental degradation and provide opportunities for sustainable entrepreneurs to create radical technologies and innovative business models that can achieve profitability while simultaneously improving local and global social and environmental conditions.

### Transforming sectors toward sustainability

A number of theorists have argued that startups launched by sustainable entrepreneurs can solve sustainability-related problems through the introduction of innovative products, process and services and that the commercial success of these solutions, and accompanying support of professional investors and other influential stakeholders, can and will eventually influence incumbents to adopt similar solutions and otherwise take steps that will lead to the transformation of the entire industry toward sustainability. Under these theories, sustainable entrepreneurs make their impact by targeting market niches defined by a particular sustainability-related problem, generally introducing the radical changes that are outside the comfort zone of incumbents that prefer change to be incremental; however, Bell and Stellingwerf cautioned that research “in the field” lacked support.

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From all of this, Bell and Stellingwerf proposed their own definition of sustainable entrepreneurship as “startups that introduce an innovation, with the aim to solve a sustainability-related market failure, which initiates the transformation of an industry toward sustainability”\textsuperscript{195}. The “innovation” could take the form of a product, process or service and the sustainability objectives behind these innovations were equally important as the economic objectives associated with them. The use of the term “startups” is intentional and significant as it explicitly differentiates sustainable entrepreneurship from the activities of established organizations, such as corporations, to address sustainable development issues in their environment (i.e., corporate-sustainability/CSR initiatives).

Rey synthesized the results of his review of various definitions of sustainable entrepreneurship as follows: “conducting business which commits to ethical standards and behavior, contributing to economic development, all the while maintaining a progressive upkeep of the well-being of society—including the labor-force and their families, their communities and the world on a whole, for the present and future inhabitants”.\textsuperscript{196} According to Rey, a sustainable company is one that operates in accord with the philosophy of the Brundtland Report while recognizing and balancing the economic, social and environmental aspects and impacts of their businesses.\textsuperscript{197} Rey noted that “sustainable entrepreneurship may seem odd as entrepreneurship is principally associated with accomplishing certain goals while maximizing profits in the most efficient way possible” and entrepreneurs who are focused on projecting a sustainable outlook for their business will likely stray from profit maximization due to the added costs of sustainable goods and practices that traditional entrepreneurs are able to avoid by simply going for the cheapest alternative.\textsuperscript{198}

Rey noted that while CSR is often compared to sustainable entrepreneurship, he believed that there are significant differences between the two concepts. Most importantly, according to Rey, CSR is primarily concerned with the actions of corporations that have been operating for a significant period of time and which have reached a certain size and determined that they have a responsibility, beyond the traditional profit-making objectives, to be more aware of their external environment and stakeholders and find ways to give back to their local communities beyond their mandatory legal obligations. While these initiatives are generally welcomed, they typically lack certain core characteristics of sustainable entrepreneurship such as offering environmentally-friendly products and services and making changes to internal operations of the company to bring sustainability practices to personnel matters and production processes.\textsuperscript{199}

\textsuperscript{195} Id.
\textsuperscript{196} L. Rey, Sustainable Entrepreneurship and its Viability (Rotterdam: Master Thesis for MS in Entrepreneurship, Strategy and Organizations Economics from Erasmus School of Economics, December 2011), 12.
\textsuperscript{197} Id.
\textsuperscript{198} Id. at 9.
\textsuperscript{199} Id.
Muñoz observed that the specific form of entrepreneurship engaged in by sustainability-driven enterprises is about simultaneously achieving three objectives (i.e., social, environmental and economic), while committing to securing the economic welfare and social well-being of future generations and ensuring a long-term sustainability of the environment.\textsuperscript{200} He then went on to propose that sustainable entrepreneurship should be defined and conceptualized as being “focused on pursuing business opportunities to bring into existence future products, processes and services, while contributing to sustain the development of society, the economy and the environment and consequently to enhance the well-being of future generations”.\textsuperscript{201} From this definition it is possible to identify certain central factors that sustainable entrepreneurs need to consider in developing and executing their business models: integrating environmental best practices and protection into all business activities; social justice; economic prosperity for investors, entrepreneurs and economies; improving the well-being of communities; and intra and intergenerational equity.\textsuperscript{202} Muñoz pointed out that his definition acknowledged and integrated constructs from both sustainable development and entrepreneurship literature, a path also taken by Shepherd and Patzelt’s opinion that the practice of sustainable entrepreneurship called for sustaining and developing three constructs informed by sustainable development literature (i.e., sustain nature, life support systems and communities) and three constructs informed by entrepreneurship literature (i.e., develop economic gains, non-economic gains to individuals and non-economic gains to society).\textsuperscript{203}

Racelis used the term “authentic sustainable entrepreneurship” to describe the situation “when the economic, environmental, and social motives come together in the business action of the entrepreneur, along with the internalization of the fiduciary, stewardship, and moral responsibilities to future generations”.\textsuperscript{204} Racelis went on to suggest that the specific normative elements that should be found in the activities of the authentic sustainable entrepreneur should include “production of socially desirable products in a socially desirable manner, and advancement of the health and well-being of those affected by such, all within a values-driven framework”.\textsuperscript{205} Racelis pointed out that sustainable entrepreneurship is a model of entrepreneurship that enables founders to seize opportunities relating to environmental and social degradation which are created by

\textsuperscript{201} Id.
\textsuperscript{203} D. Shepherd and H. Patzelt, “The new field of sustainable entrepreneurship: studying entrepreneurial action linking ‘what is to be sustained’ with ‘what is to be developed’”, Entrepreneurship Theory and Practice, 35(1) (2011), 137.
\textsuperscript{205} Id. (citing S. Hodgkin, Business social entrepreneurs: working towards sustainable communities through socially responsible business practices (Master’s thesis, University of Calgary, Calgary, Alberta, Canada, 2002)).
market imperfections (e.g., inefficient firms, externalities, flawed pricing mechanisms, and information asymmetries) to obtain entrepreneurial rents while simultaneously improving social and environmental conditions both locally and globally.\textsuperscript{206} Racelis argued that the core motivation for sustainable entrepreneurs is to “contribute to solving societal and environmental problems through the realization of a successful business”, while their main goal “is to create sustainable development through entrepreneurial corporate activities”.\textsuperscript{207}

Another important implicit condition for sustainable entrepreneurship is the capacity of the venture to survive, develop and grow. Rey referred to this condition as “viability” and emphasized that a sustainable entrepreneurial company must, at a minimum, cover all costs, enjoy continuous growth in size and output, make a positive return on turnover and, fundamentally, “remain out of financial danger for years”.\textsuperscript{208} In other words, the company must seek and achieve long-term sustainability in order to successfully pursue and achieve its goals and purposes and provide prospective stakeholders, including employees, with security that their contributions to the enterprise will be product value over an extended period.

**Entrepreneurship and Innovation**

Any attempt at starting a new business, regardless of the size of the firm or the sophistication of its products or services, falls squarely within the definition of entrepreneurship and generally carries the same levels of risk and stress for the persons involved in the process. Entrepreneurship programs launched and administered by governmental agencies and non-profit organizations are primarily geared toward “small businesses” that often rely on readily available technologies and their goal is to ensure that interested persons have access to basic information about starting a business, complying with applicable laws and locating financing sources. Proprietorships and small firms with less than 20 employees have always been an important part of the economic landscape and this should continue in the future as technology, such as the Internet, makes it easier for entrepreneurs to put their business ideas into practice and quickly and efficiently reach prospective customers and other business partners.

An important niche within the entrepreneurial community, which has been readily filled by universities, focuses on new business formation for the purpose of identifying, developing and commercializing relatively risky and unproven technologies and business processes. The study of entrepreneurs and their firms that are involved in these sorts of activities is referred to as “entrepreneurship and innovation.” A number of different definitions and explanations of “innovation” have been offered by academicians and commentators. For our purposes, it is useful to think of innovation as the process of

\textsuperscript{207} Id.
\textsuperscript{208} L. Rey, Sustainable Entrepreneurship and its Viability (Rotterdam: Master Thesis for MS in Entrepreneurship, Strategy and Organizations Economics from Erasmus School of Economics, December 2011), 14.
successfully acquiring and implementing new ideas within a business organization. As suggested by this formulation, new ideas can be developed and created internally, or can be borrowed or purchased from other organizations. New ideas are not confined to new products and services, but also include new or improved processes that enhance productivity or reduce costs associated with manufacturing or distributing existing products. Put another way, innovation involves firms doing new things in new ways to increase productivity, product development, sales and profitability, including finding new ways of identifying the needs of new and existing clients and making and marketing products that satisfy those needs.

Drucker forcefully promoted the interrelatedness of entrepreneurship and innovation and the need for entrepreneurs to recognize and learn the disciplines and principals of innovation and practice them in the planning for their ventures: “Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and apply the principles of successful innovation.” Drucker believed that entrepreneurship could be understood as a systematic process and that opportunities for successful entrepreneurship could be uncovered through purposeful innovation and exploration of identified sources of innovation including incongruities, process needs, industry and market structures, demographics, changes in perception, new knowledge and unforeseen events.

Certainly there are important and obvious differences between launching a small shoe repair shop and developing and commercializing a cutting-edge pharmaceutical product to fend off cancer; however, those who link entrepreneurship and innovation believe that any new venture, be it a separate start up business or a product development project within a large company, can increase its chances for success by understanding and applying the principles that have been gleaned from studies of what has been referred to as the “innovation process”. Of course, while opinions vary on exactly what that process might be it has traditionally flowed sequentially through the following phases: idea generation, concept development, resource acquisition, ramp up and launch. Studies have shown that many the elements required for successful innovation are constant across industries and business activities and include an emphasis on product innovation, a strong customer orientation and a firm commitment to high quality reliable service. Presumably these findings can be effectively deployed by all entrepreneurial ventures; however, it is should be understood that additional innovation strategies may be required in response to specific competitive factors in particular industries.

Carland et al set out to determine whether it was possible to differentiate “entrepreneurs” from small business owners. They concluded that merely conceiving a new business was not sufficient to qualify as entrepreneurship and that the term was appropriate only for those persons who identified and created combinations of resources for the purpose of

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seeking profit and growth and then pursued those goals through innovative behavior and the implementation of creative management practices. This position is consistent with the perspective taken by those who believe that strategy, rather than the personal characteristics of the founders and senior managers, is the most important and accurate predictor of whether or not a new firm will be successful in achieving its goals with respect to profits and growth. For persons in that camp the entrepreneurial event is a moving target composed of parts that are in constant motion. While certain personal characteristics of the founders and other members of the senior management team are important, particularly their leadership skills, it is their ability to develop and execute the appropriate strategy that is the most crucial success factor.

**Entrepreneurship and Economic Development**

Many commentators have argued that entrepreneurship is crucial for understanding economic development and that a link can be demonstrated between entrepreneurship and economic growth, particularly in the positive role that entrepreneurship plays in mobilizing capital and specialized labor toward activities where productivity is greatest and in overcoming market failures. Entrepreneurship is important at all stages of economic development, but its relevance looms particularly large when countries move beyond factor- and efficiency-driven development to the innovation-driven stage of development during which, the key input is “knowledge” and decisions about embarking on new projects are based on primarily on expected net returns and the likelihood that economic activities can generate high value added products and services. A positive impact on economic and social development as a result of entrepreneurship is generally assumed due to the contributions that innovative activity makes to technology upgrading and increasing production efficiency; however, it has been noted that some types of entrepreneurship can rightly be characterized as “unproductive” to the extent that they are based on rent seeking, illegal activities and shadow activities or different forms of corruption. Moreover, while successful entrepreneurs are often cheered as economic and social “heroes”, it is best to take a longer-term view of the impact of a new business model or technology at the societal level and institutions, particularly lawmakers, have an important role to play in determining the utility of entrepreneurship at both the venture and societal levels.

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Many commentators, beginning with Schumpeter, have argued that entrepreneurship is crucial for understanding economic development.\textsuperscript{212} Acs and Virgill noted that “[t]he empirical evidence is . . . strong in support of a link between entrepreneurship and economic growth” and that [s]tudies have found that regional differences in economic growth are correlated to levels of entrepreneurship”.\textsuperscript{213} They explained that entrepreneurs in developing countries play a key role in “fill[ing] in important gaps left by incomplete and underdeveloped markets” and referred also to Leff’s explanation that “a key function of entrepreneurship in developing countries is . . . to mobilize factors such as capital and specialized labor which, being imperfectly marketed, might otherwise not be supplied or allocated to the activities where there productivity is the greatest”.\textsuperscript{214} According to Acs and Virgill, recognition of the unique value of entrepreneurship in developing countries has led policymakers in those countries to “begin to work on perfecting their markets by eliminating barriers to entrepreneurship and other market failures”,\textsuperscript{215} a trend which can be seen in the increased interest of policymakers and researchers in the role that institutions play in promoting entrepreneurship that can lead to economic development.

While focusing on and describing the “economics of innovation”, Porter suggested that countries go through three stages of economic development: a factor-driven stage; an efficiency-driven stage; and, finally, an innovation-driven stage.\textsuperscript{216} Acs and Szerb provided the following brief description of each of these stages:\textsuperscript{217}

- The factor-driven stage is marked by high rates of agricultural self-employment and countries in this stage generally compete based on low-cost efficiencies in the production of commodities or low value-added products. Countries in this stage do not create knowledge that can be used for innovation nor do they use knowledge to engage in exporting activities.
- The efficiency-driven stage requires that countries engage in efficient productive practices in large markets so that firms are achieve and exploit economies of scale. Industries in this stage are generally manufacturing-based and focused on the production and distribution of basic goods and services. Self-employment declines during this stage and capital, labor and technology become the key drivers of productivity.

\textsuperscript{214} Id. (citing N. Leff, “Entrepreneurship and Economic Development: The Problem Revisited”, Journal of Economic Literature, 17(1) (1979), 46-64, 48).
\textsuperscript{215} Id.
\textsuperscript{216} M. Porter, Global Competitiveness Report (Geneva: World Economic Forum, 2002).
In the innovation-driven stage, the key input is “knowledge” and decisions about embarking on new projects are based on primarily on expected net returns and the likelihood that economic activities can generate high value added products and services.

Acs and Szerb discussed the relative importance of institutions and innovation as countries moved through the various stages and noted that while “[i]nstitutions dominate the first two stages of development”, innovation spurred by entrepreneurship plays an increasingly important role in economic activity “in the innovation-driven stage when opportunities have been exhausted in factors and efficiency”. The institutional emphasis as the beginning of the continuum is illustrated by the need to increase production efficiency and the education level of the workforce in order to transition from the first stage to the second stage and its increased emphasis on technology. In contrast, the activity of individual agents in possession of new technology (i.e., “entrepreneurs”) plays a bigger role in traveling the road from the second to third stage.

The notion of “stages” of economic development has also been embraced and explained by other scholars. For Brinkman, economic development is “a process of structural transformations” that ultimately leads to an overall higher growth trajectory. Liebenstein explained that “per capita income growth requires shifts from less productive to more productive techniques per worker, the creation or adoption of new commodities, new materials, new markets, new organizational forms, the creation of new skill, and the accumulation of new knowledge”. As noted elsewhere in this publication, the role of the entrepreneur has often been neglected in economic theory, including various “stages of development” models; however, Liebenstein explicitly and celebrated the entrepreneur as “gap filler and input-completer . . . [and] . . . probably the prime mover of the capacity creation part of [the] elements in the growth process” that occurs during the aforementioned processes of change as economies shift to higher productivity.

All in all, entrepreneurship plays a big role throughout the process of economic development, not just at the innovation-driven stage, and entrepreneurship makes a continuing contribution in various forms such as employment, innovation and welfare. Acs and Szerb argued that relationship between entrepreneurship and economic development was “S-shaped”: during the first transition—factor-driven stage to efficiency-driven stage—entrepreneurship plays a minimum role in productive entrepreneurship; however, entrepreneurship become increasingly important during the efficiency-driven stage and throughout the transition to the innovation-driven stage. Acs and Szerb also made the interesting observation that “economic activity” can be

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218 Id.
222 Id.
characterized as a societal “resource” that is capable of increasing and expanding over time as institutional support strengthens and the society learns how to use entrepreneurship in productive, rather than unproductive and destructive, ways.\textsuperscript{223}

Naude et al. acknowledged the utility of the model created by Acs and Szerb but also argued that it tends to “understate the importance of innovation by entrepreneurial innovation in the early stage of [economic] development”.\textsuperscript{224} Naude et al. believed that it was important to distinguish between “incremental” and “radical” innovations and focus on the impact that a particularly type of innovation has on the local economy. Using this criterion, innovations that might not be that important in developed countries can, in fact, be quite significant in developing countries that are embarking on “catch-up change”. For example, entrepreneurs in developing countries engage in innovation when they imitate products or processes originally developed in other parts of the world and adapt them for use in their local economies. This type of “innovation” serves an essential function with respect to technology upgrading and increasing production efficiency. Developing countries can also benefit from another type of “innovation”: development of the capacity to “absorb and creatively adapt international technological knowledge . . . to . . . achieve accelerated growth”\textsuperscript{225}, skills that served countries such as Chile, China, Korea and Taiwan well. Finally, the “mere” exploitation of new markets and development of new ways to organize businesses, each somewhat commonplace in developed countries, is a key method of innovation in developing countries. Naude et al. concisely described the important role of “innovation” at the earlier stages of development as follows:

“Entrepreneurs in low-income developing countries provide innovations that are important for firm and country growth, even if they are incremental in nature. Innovation in developing countries involves the process by which firms master and implement the design and production of goods and services that are new to them. Many small improvements in product design and quality, changes in the way production is organized, creativity in marketing and modifications in production processes and techniques reduce costs, increase efficiency and flexibility to respond to changes in competitive conditions and enhance productivity and employment growth. In emerging economies innovation involves upgrading and shifting to higher levels of technological sophistication. . .


\textsuperscript{224} W. Naude, A. Szirmai and M. Goedhuys, Policy Brief: Innovation and Entrepreneurship in Developing Countries (Helsinki, Finland: United Nations University-World Institute for Development Economics Research, November 1, 2011), 3.

\textsuperscript{225} Id.
Innovation plays an important role in catch-up and growth in a globalized economy."226

While on the face of it one might assume that entrepreneurship would have a positive impact on economic and social development, there are those that have questioned this proposition. Baumol, for example, has observed that “entrepreneurship can take various forms, and not everything labeled as ‘entrepreneurial’ might be desirable from a macroeconomic and societal perspective”.227 If this is true, policymakers developing tools to encourage and support “entrepreneurism” need to have a better understanding of just what types of entrepreneurial activities are likely to have the most positive impact on economic development. Baumol distinguished between “productive” and “unproductive” entrepreneurship while commenting that “. . . there are a variety of roles among which the entrepreneur’s efforts can be allocated, and some of those roles do not following the constructive and innovative script that is conventionally attributed to that person. Indeed, at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy. How the entrepreneur acts at a given time and place depends heavily on the rules of the game—the reward structure in the economy—that happen to prevail.”228 Welter explained that “[p]roductive entrepreneurship includes any activity that indirectly or directly contribute to economic output or the capacity of the economy to produce additional output”, while unproductive, or “destructive” entrepreneurship “includes, but is not limited to, rent seeking, illegal activities and shadow activities or different forms of corruption”.229 This distinction is sometimes simplified by assuming that the activities of legal, registered businesses are productive and that the activities of illegal, informal businesses are unproductive and, in fact, destructive in those instances where they attracts followers that engage in wholesale circumvention and defiance of the legal and normative framework of the society.230 Assuming all of this is true, policymakers developing tools to encourage and support “entrepreneurship” need to have a good understanding of just what types of entrepreneurial activities are likely to have the most positive impact on economic development.

While much of the research regarding entrepreneurship and economic development assumes that there is a direct correlation between the success of the entrepreneurial activities at the “micro”, or venture, level and the contribution of those activities to society at the “macro” level, it is useful to analyze a particular set of activities using the model developed by Davidsson and Wiklund which allows for the fact that entrepreneurial activities may have either positive or negative outcomes at both the

228 Id.
229 Id.
230 Id.
venture (i.e., micro) and societal (i.e., macro) levels. The result is a typology of four different enterprises that can be described as follows:

- **“Hero”** or “success” enterprises, which have positive societal and venture level outcomes, generally as a result of introducing new products or services and creating personal income and wealth.
- **“Robber”** or “re-distributive” enterprises, which are successful at the venture level, yet contribute nothing at the societal level since their success is tied to the use of strategies that Baumol would classify as “unproductive”.
- **“Catalyst”** enterprises, which may not be successful at the venture level, yet do make a positive contribution at the societal level. An example would be a venture that develops ideas and methods that do not generate profit for that venture but which eventually are successfully imitated and productively exploited by others in the future.
- **“Failed”** enterprises, which are unsuccessful at both the venture and societal levels.

However, this model does not fully explain how things work in the “real economy”. For example, Davidsson pointed out that “. . . we have to live with the fact that in real economies ‘legal, yet re-distributive’ and ‘illegal, yet societal beneficial’ are both possible”. In addition, even enterprises that eventually are found to fall within the “hero” category may sometimes engaged in activities generally thought to be “unproductive” from a societal level at some point during their development. Even “failed” enterprises cannot be totally dismissed since it is feasible to imagine that the entrepreneurs involved with these enterprises may have learned from their failures and applied this knowledge to new enterprises that were more successful.

Other researchers have found evidence that entrepreneurs “switch” between “proprietorship” behavior, which focuses primarily on income and survival for the individual entrepreneur and his or her family, and so-called “opportunity-based” or “dynamic” entrepreneurship that is more focused on growth and business development and discussed elsewhere in this chapter. For example, while entrepreneurs may have the skills and desire to oversee growth-oriented ventures, their initial goals may be largely necessity-based as they struggle to create a basic income for themselves and limit their activities to satisfying local demand. As time goes by, however, and they are more confident in the sustainability of their venture they may shift toward strategies that are most consistent with opportunity-based entrepreneurship. In addition, researchers analyzing entrepreneurship in the transitional economies of the former socialist countries in Eastern Europe have concluded that most new and small companies are engaged in both productive and unproductive activities at the same time, a situation that the

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researchers attribute to the lack of formal laws and regulations in those countries and the corresponding need of entrepreneurs to engage in “defiance and avoidance strategies”, particularly rent seeking, in order to simply survive in a turbulent, ambiguous and uncertain environment. Welter concluded that analyzing entrepreneurship using just assessments of “activities” (i.e., productive or unproductive) or measures of output provides an incomplete picture and that it is necessary to take into account both activities and output in a non-judgmental fashion and consider the environment in which the entrepreneur is operating and the likelihood that strategies may change over time. Welter also pointed out that it could reasonably be assumed that once entrepreneurs in these economies have survived the initial stages of formation and organization using any means possible some of them may “develop their activities from simply trading towards more substantial businesses”.

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235 F. Welter, “Entrepreneurship and development—Do we really know which entrepreneurship types contribute (most)?” Strategic Entrepreneurship—The Promise for Future Entrepreneurship, Family Business and SME Research?, Papers presented to the Beitrage zu den Rencontres de St-Gall 2010 (St. Gallen: KMU-Verlag HSG, 2010).
About the Author

This chapter was written by Alan S. Gutterman, whose prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, Business Transactions Solution, is an online-only product available and featured on Thomson Reuters’ Westlaw, the world’s largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 80 books on sustainable entrepreneurship, leadership and management, business law and transactions, international law and business and technology management for a number of publishers including Thomson Reuters, Practical Law, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, Business Expert Press, Harvard Business Publishing, CCH and BNA. Alan has extensive experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Berkeley Law, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on corporate finance, venture capital, corporate governance, Japanese business law and law and economic development. He has also launched and oversees projects relating to sustainable entrepreneurship and ageism. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan and his activities, please contact him directly at alangutterman@gmail.com, follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/) and visit his website at alangutterman.com.

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) was launched by Alan Gutterman to teach and support individuals and companies, both startups and mature firms, seeking to create and build sustainable businesses based on purpose, innovation, shared value and respect for people and planet. The Project is a California nonprofit public benefit corporation with tax exempt status under section 501(c)(3) of the Internal Revenue Code dedicated to furthering and promoting sustainable entrepreneurship through education and awareness and supporting entrepreneurs in their efforts to launch and scale innovative sustainable enterprises that will have a material positive environmental or social impact on society as a whole.

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