

Entrepreneurship: Fashion and Facts

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Summary

The last ten decades have witnessed intensive intellectual efforts of scholars from various disciplines towards development of entrepreneurship theory and practice. The practical aspects of this concept have also become a crucial part of the states' educational policies and an important source of income for consultancy firms' job portfolios. This trend has gradually grown despite no clear evidence whether it is possible to increase the rate of entrepreneurship activities in a country by only explaining "how to be an entrepreneur" to potential candidates. Verifying the validity of such practical attempts is a challenging work that may require in-depth involvement to structure-agency debate. On the one hand contextual factors may restrict or enable entrepreneurs on the other hand these factors may create opportunities and proactively change their business environments. It is also possible to think about a mutual relation or a condition of balance between agency and structure while examining entrepreneurship as a process.

A review

The idea of being an entrepreneur has been closely linked to Schumpeter's (1928) notion of innovativeness in business life. In Schumpeterian sense of entrepreneurship, an actor should be creative and revolutionary to be able to see unexplored areas of work. This paradigm towards entrepreneurship had led to personality based research efforts and scholars had

especially focused on features such as actors' tendency to take risk and ambition during 60s and 70s (Canina, Palacios, & Devece, 2012). This line of research has focused on answering three questions: 1) why, when and how opportunities emerge; 2) why, when and how some people aware of these opportunities and 3) why when and how someone benefit from or use these emerging possibilities (Shane & Venkataraman, 2000). However, the belief that entrepreneurs are a group of people who have unique characteristics has gradually lost its persuasiveness during 90s (Canina, Palacios, & Devece, 2012). Aldrich (1999) highlights importance of contextual factors over entrepreneurial actions. Regardless of sufficient level of creativity or other personal features and skills of an entrepreneur, a new venture primarily has to cope with the disadvantages of being new in business (Stinchcombe, 1965). The contextual pressures of selection on new ventures include lack of legitimacy (DiMaggio & Powell, 1983), access problems to resources (Pfeffer & Salancik, 1978; Holtz-Eakin, Joulfaian, & Rosen, 1994) and low carrying capacity of the industry in case of intense competition (Hannan & Freeman, 1977). Therefore, entrepreneurship should be examined as a "process" (Martinez, Yang, & Aldrich, 2011) starting with searching business opportunities, establishing a new venture and then trying to survive in an environment of constraints. I believe some contingencies increase mutual dependence between start up and survival phases of this process.

The Schumpeterian belief that creative entrepreneurs generally seek for innovative areas of business seems not to be valid for all types of entrepreneurial activities. In practice a limited number of ventures may start with innovative ideas. Most of the firms might have been founded in developing or mature areas of business with high profit expectations. Another issue is the size of new ventures in the entrepreneurial stage. Traditionally it has been assumed that at the initial steps, entrepreneurs start with very modest circumstances-few employees, informal relations and in small offices or garages - and after reducing pressures of

selection, their organizations get bigger and complex. However, this assumption is not generalizable because entrance to some business areas such as healthcare, tourism, education, retail and manufacturing may require high levels of investment at the beginning. Any entrepreneur who has sufficient resources and political support can enter one of these sectors by acquiring or establishing complex and big organizations like hospitals, hotels or shopping malls. This characteristic of such organizations may limit adaptation capacity (Hannan & Freeman, 1977, 1984, 1989) at the very beginning of the business and entrepreneurs may face with a more complicated picture than what current literature has suggested about survival of a business.

Factors like organizational age and size, complexity of structure, past successes and failures, sunk costs, internal and external dependencies are the premises of inertia (Rungtusanatham & Salvador, 2008). Some internal and external constraints are established power relations, non-transferable investments, tools and specialized human resources; insufficient information flow to managers about organization and contextual factors (Hannan & Freeman, 1989). Structural inertia doesn't mean organizations freeze and cannot see what are the internal adjustments necessary for adaptation to the changes in a business environment (Hannan & Freeman, 1984; Schwarz, 2012). The source of adaptation problems of generally big or huge organizations is not being slow enough to perceive threats and opportunities created by environmental changes, it is more relevant to slow reaction towards changes (Hannan & Freeman, 1989). Similarly, Nakagawa, and Watanabe (2007) emphasize that older organizations with established systems, react slowly and insist on sustaining their traditional business models. Hannan, Polos, and Carroll (2003) highlight the role of delaying and obstructive processes in organizations when conditions require adaptation. Although some well-known scholars (March, 1994) view organizations as flexible and continuously changing systems and they criticize selection based models (Aldrich & Pfeffer, 1976; Aldrich, 1979; Astley & Van de

Ven, 1983; Perrow, 1986), none of them denies existence of inertia for large, and complex organizations.

Entrepreneurs are traditionally known as creative individuals who are seeking for opportunities, which can vitalize their innovative ideas (Schumpeter, 1928; Collins & Moore, 1970; Lachmann, 1980; Aldrich & Fiol, 1994). Actually, “classical entrepreneurs” have made considerable amount of investments in established and clearly defined areas of business (Leibenstein, 1968). Most of them may not have creative skills and innovative capabilities. They are simply founders of new firms (Davis, 1963; Mescon & Montanari, 1981) individuals who launch risks of generating profits from a new venture (Cole, 1949; McClelland, 1961; Hull, Bosley, & Udell, 1980) or the actors’ aim at starting, sustaining and growing a firm (Cole, 1959). Therefore, entrepreneurship doesn’t have to involve in innovative or creative processes as it is emphasized in the relevant literature. Organizational size and complexity at the initial stage of entrepreneurship is another issue that needs to be considered.

Organizational life cycle model suggests that growth of a venture starts with small organizational size and will get larger and complex in the further steps (Grenier, 1972; Churchill & Levis, 1983; Lester, Parnell, & Carraher, 2003). This assumption seems to be valid for all small business venturing. However, entrepreneurs who have sufficient resources may also start large and complex organizations. These types of corporations –hospitals, hotels, shopping malls and universities- emerge with their formal systems, vertical hierarchy, horizontal complexity and coordination systems. Consequently, such an entrepreneur may face with an organization, which is in the 4th or 5th phase of the life cycle model. The codes of emerging organizational forms might have been obtained through the established knowledge concerning optimal responses to survive in a competitive environment (Hannan & Freeman, 1977) or isomorphic features determined by institutional context (DiMaggio & Powell, 1983). It seems establishment of large organizations requires immediate

entrepreneurial decisions concerning what should be the appropriate form to start. Cooper, Woo, and Dunkelberg (1989) found out that smaller ventures face with low levels of serious problems than the larger ventures. It may not be possible to expect independent decisions from entrepreneurs while establishing large organizations because of competitive and institutional constraints. However, contextual determinism doesn't mean fully exclusion of actors from the process. How entrepreneurs perceive and process the information in the field is another important factor in terms of organizational survival (Baron, 2009). It seems that entrepreneurs act like catalysts between context and organization and they make final decisions concerning initial adjustments. I claim that start-up decisions concerning internal arrangements are especially vital for large and complex organizations. It might be possible to convert initial form to a more appropriate one for small and simple organizations but inertial forces arising right after the birth of large and complex ones may hinder adaptation.

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