

Entrepreneurship
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innovation and
creativity are
evidently

[Business](#), [Entrepreneurship](#)



Entrepreneurship and innovation are crucial in knowledge creation and exploitation in order to create further economical value and also encourages social and technological growth. The economy is built on the various enterprises and businesses within it. Entrepreneurship and innovation are paramount to new businesses, and furthermore within already existing organisations. Our economy continues to grow because the market leaders have been able to adjust to the changing times and supply the communities' needs, a business has to maintain itself, by being able to constantly progress to reach the changing demands of the economy and its people. In all businesses, it is vital to be innovative when it comes to entrepreneurship. Innovation and creativity are evidently linked to economic growth, economic growth is a key issue in economic policy making. Growth of gross domestic product (GDP), which 'measures the goods and services produced in an economy every year' is necessary for a country to be stable and prosperous 1.

Entrepreneurship is extremely important for an economy. Entrepreneurial ventures create wealth by offering more jobs but also their innovations generate new markets with their newer ideas regarding products and services which consequently produces more potential wealth 2. Joseph Schumpeter's theory on 'creative destruction' alludes to the fact that a 'capitalist engine' (Capitalism, Socialism and Democracy, Joseph A. Schumpeter, 1942) is able to function due to the innovation of goods, services, transportation and production. 'The opening up of new markets, foreign or domestic... incessantly revolutionises the economic structure from within, incessantly destroying the old one, incessantly creating a new one.

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This process of Creative Destruction is the essential fact about capitalism.’
(Capitalism, Socialism, Democracy, Joseph A. Schumpeter, 1942).

Schumpeter acknowledges that not only will businesses be ‘destroyed’, but very many people will lose their jobs thanks to ‘Creative Destruction’.

However with this ‘destruction’ there comes the innovations which in the long term would enable an economy to thrive and benefit by becoming richer and more advanced, while the people benefit from a quality increase in technology and also a better standard of living as GDP rises. Innovators launch new products and services with the desire to earn a profit. These innovations from an entrepreneur arise as competition with established products, goods and services in such markets, and by appealing to consumers with lower prices, more efficient, facilitating goods and products with newer features, they eliminate the current competition. Businesses that don’t produce what the consumers desire at the certain prices that are now set, lose customers, and consequently go bust. The market’s “invisible hand”, a metaphor introduced by economist Adam Smith, ‘shifts resources from declining sectors to more valuable ones’³. There are numerous examples of ‘Creative Destruction’ that has occurred throughout history and will happen in the future as our world continues to innovate. The transportation market is a pertinent and substantial example.

The establishment of the automobile in the 20th century revolutionised transport, expanding markets, making shipping cheaper and effective and creating multiple occupations: car designer, road builders, mechanic and taxi drivers, who are now starting to be competed with by Uber, are examples.

This innovation in automobile's transferred into many other industries. For instance in the oil industry multiple jobs were established as fuel was required to power these vehicles: for example refinery and pipeline workers. Having not previously existed before 1870, the automobile industry created millions of jobs in the U.

S. economy. Moreover, planes were developed and instigated which created even more jobs. In spite of this, they were undesired competition from those in the transportation industry such as the horse and carriage who would eventually lose their jobs. 2. 1 million americans worked with railroads around 100 years ago 4, compared to 105, 500 workers today 5.

This creative destruction may occur in the future for automobiles with the production of autonomous vehicles lead by Google and Nokia. Clearly drivers will be surplus to requirements and so many will lose their jobs with this new innovation, but it also may reduce traffic and increase safety. Most would argue that society has benefited greatly from innovation and that without it economies would not be able to grow. Generally we live better lives as production of goods and services has increased whilst labour has become more efficient leading to a better standard of living. Our society has a demand for the development of ideas so that we may progress and not become stagnant.

Everybody in industry must search for new methods to do things and ways to improve what has already been developed, or society may struggle to move forward with very little change. So innovation is a key fundamental of society

but it alone will not run a capitalist society. On the other hand there are downsides to some innovations. Often there is a 'lag' between an innovation and the recognition of a potential consequence of such an innovation. For example as artificial intelligence (AI) is innovated, there is an undesirable side effect namely 'technological unemployment' where jobs previously occupied by humans are now being taken over by robots 6. In January 2013, a McKinsey & Company study noted that around 30% of tasks in 60% of occupations could be computerised and in 2012, the Bank of England's chief economist stated that 80 million US and 15 million UK jobs may be replaced with robots 7.

According to Oxford University academics called 'The Future of Employment', 47% of Americans are at 'high risk' of losing their jobs to robots. Although there will be a loss of jobs, there won't be a lack of jobs. However, workers may lack the appropriate skill set needed for these new roles and so it may take time for society to adjust to this change. Furthermore jobs will be broken down into smaller compartments due to these changes and so workers may feel they are 'further removed' from the end product, which morally might create a feeling of boredom and monotony instead of that sense of pride and importance. So this illustrates how some may feel that innovation is not ideal, and this may seem apparent in the short term, but in the long term this innovation will mostly be of benefit to society with the advanced technology which would facilitate our lives, making the workplace more efficient and thus more productive. A second economist from the Austrian school of economics, Israel Kirzner, had a

differing view on entrepreneurship and how it is brought about by a disequilibrium in the market. The Schumpeterian perspective believed that the entrepreneur is an innovator who disrupts the economic equilibrium during times of 'uncertainty, change, and technological upheaval' through 'creative destruction'.

On the contrary, the Kirznerian view suggests that entrepreneurs obtain profits through the alertness of gaps and opportunities that arise in the market, so when the economy is in disequilibrium. In this view, the entrepreneur is someone who seizes opportunity as an alert arbitrageur, an investor 'who attempts to profit from price inefficiencies in the market' 8. They also are an important person in the functioning of capital markets because as they try to exploit price inefficiencies, they make those prices precise to that market due to the competition between the entrepreneurs and thus removes the profit opportunity. Therefore, the entrepreneur moves the disequilibrium in the economy back to equilibrium through the knowledge of the overlooked irregularities in the markets 9.

So Kirzner goes against Schumpeter's theory that innovation is absolutely central to entrepreneurship, but it is in fact the alertness and knowledge that an entrepreneur possesses which enables them to capitalise on asymmetries in the market and so enabling them to make a profit. An example of an entrepreneur from the Kirznerian perspective would be someone in a popular student town who realises that there has been an increase of university students in that town. So this has produced an opportunity for profit by turning houses into those which better suit students, student houses.

The entrepreneur is alert to the opportunity because they have the knowledge that there has been an increase in students at that certain university. Richard Cantillon, in 1730, was likely the first academic to consider the vital role that entrepreneurship plays in the economy. For Cantillon, an entrepreneur is an 'adventurer' who is an expert in taking risks. They purchase certain goods and materials in order to sell them on in the future with profit being the incentive. There is uncertainty surrounding the price at which the entrepreneur should buy and resell these goods and materials, so they are therefore taking a risk when investing. Rather than being innovators, Cantillon's idea of an entrepreneur is indeed an administrator because they are able to reduce the gaps of uncertainty in the economy by taking the risks themselves whilst making profit. Once more the ability to recognise these opportunities is the difference for an entrepreneur, an attribute which is unexplained, just as Kirzner says, 'We do not clearly understand how entrepreneurs get their superior flashes of foresight...' (Kirzner, *Entrepreneurship and Competition*, 1976).

Building on Cantillon's and the French school's work on entrepreneurship and how risk and uncertainty were the determining factors, was Jean-Baptiste Say. Say states that controlling uncertainty requires not only foresight, but the inclusion of resources, 'The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.' (Innovation in Industry, Jean-Baptiste Say, 1999). The entrepreneur combines the factors of production (or resources) which in turn creates better business and they constantly compare how much their products are selling for along

with their costs of production. If they want to produce more of the product, their demand for the factors of production will rise 10. So for Say, an entrepreneur is able to manage uncertainty with resources, along with strict order and administration. Hence the French school of economics believes that innovation and creativity is not central to entrepreneurship, but strict management is the key to a successful entrepreneurship venture. In conclusion, having considered the various economic school's thoughts on entrepreneurship, innovation is a key to economic progress as it aids economies to progress with the production of new products and services from those already existing and as a result becoming more efficient and productive enabling a better standard of living.

However, this Austrian-German school's thinking isn't all to be considered regarding entrepreneurship. In differing market environments and with various enterprises, one should consider that creativity and innovation is not the sole, primary attribute of entrepreneurship. As the French school have considered, management is also an important factor in entrepreneurship along with the Austrian school's stressed importance of possessing alertness and knowledge in order to recognise opportunity and earn a profit. So innovation is a key aspect of entrepreneurship, but it is not the only aspect to be considered.