

Is entrepreneurship genetic or learned? essay sample

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



This essay is about whether entrepreneurship can be learned or whether it is in built in someone's character. I will explore this by using economic, entrepreneurial, as well as a recent Wall Street Journal article entitle, ' Can Entrepreneurship be taught?'

“ It is well established that, while only a small proportion of all entrepreneurial firms grow rapidly, this small minority delivers a disproportional economic impact relative to their numbers. Often-cited studies suggest that anything from between 3% and 10% of any new cohort of firms will end up delivering from 50% to up to 80% of the aggregate economic impact of the cohort over its lifetime.” (Autio et al, 2008)

If entrepreneurship can be learned then nations all around the world could instill entrepreneurship into its citizens boosting GDP, job creation, national wealth and economic prosperity, thus being an innovative and successful way to revitalize struggling nations around the globe. Yet, if entrepreneurship is found to be genetic this signals an alarming reality that governments, academic must take note of in order to save time, money, and effort before millions is spent around the globe of various funding and Gazelle schemes. The answer to this crucial question cannot simply be answered in a mere 2000 words; yet, I will try to use theoretical evidence to give balance and weighted argument to answer this question. There are four key theories that I will draw on throughout this essay Frank Knight's risk, uncertainty and profit, Schumpeter's innovation theory, Mark Casson's economic theory and King's psychological theory of mental capacity.

Main Body

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Frank Knight's theory of risk, uncertainty and profit portrays the way in which entrepreneurs and firm owners judge, decide and classify economic risk and uncertainty ultimately leads to the profitability outcome seen by the business as a result. Lying at the heart of the risk and uncertainty decision-making that takes place by firms and business in the different market frameworks are the entrepreneurs and business owners. Entrepreneurs and business owners must make both calculated decisions about economic risk facing their business as well using 'partial knowledge' (Langlois et al, 1993: 459) in order to judge uncertainty that may face their business. According to Knight "uncertainty arises from the impossibility of exhaustive classification of states." (Knight, 2006) Knight disputed that an unknown probability model governs the outcome of any decisions made about uncertainty. Can people be taught how to evaluate and act businesses future risk and uncertainty? Is it possible for owners and entrepreneurs to be created, taught and inspired by governments, nations and academia or are these figureheads born with the necessary conviction for business success?

Langlois and Cosgel's premise is that Knight's use of the expression 'estimate of an estimate' (Knight) refers to two separate actions needed when evaluating risks and uncertainty. There are crucially two parts of decision-making process when dealing with economic risk and uncertainty in the search for profitability. "The first step requires judgment and intuition rather than calculation." (Langlois et al, 1993: 460) I believe this step cannot be learned and is innate in some of the population and not others. This intuitive first decision to analyze risk and uncertainty cannot be simplified,

modeled or taught to somebody because it is instinctive. “ Knight also makes it clear that the second estimate is probabilistic.” (Langlois et al, 1993: 460)

This calculated decision-making process I think could be taught and developed over time. Many challenges faced by businesses are messy, unstructured and often come to unforeseeable outcomes. Organic framework. I think this hints entrepreneurs are born. Langlois and Cosgel stress that decision-making is ‘ not reasoned knowledge,’ but instead is ‘ common sense and intuition.’ Langlois and Cosgel stress that Knight argues, “ pure and individual entrepreneurship (the simple owner-managed firm) is based on the assumption that it is impossible for individuals to possess or gain knowledge of each other’s capabilities.” (Langlois and Cosgel, 1993; 461) Therefore, ...

Joseph Schumpeter’s theory of innovation speculates on way innovation is used by entrepreneurs to exploit an opportunity to make money. Christopher Freedman (2009) argues that the central point of his [Schumpeter’s] whole life work [is]: ‘ that capitalism can only be understood as an evolutionary process of continuous innovation and ‘ creative destruction.’ I think that Schumpeter’s theory on entrepreneurship revolves around creative destruction, as well as a distinction between the static population and entrepreneurs.

Schumpeter argued the continual process of innovation left some companies behind. Schumpeter notes, there is ‘ no such thing as dynamic equilibrium.’ (Schumpeter, 1911) Creative destruction can thus be thought of the

destruction left in the wake of economic progress as a result of innovation and change in the marketplace.

Schumpeter distinguishes between the general population and entrepreneurial members of society through his static theory. Static theory according to Schumpeter can be described through the following quote, 'the motto of the static system is that individuals accept the current conditions and try to perform as well as possible with the manifold data presented to them.' (Backhaus, date: 62) In contrast, the 'innovating entrepreneur' (Schumpeter, 1943) is a leader, who uses "new combinations of resources" and has a 'different beliefs about the relative value of resources.'

(Schumpeter, 1934) He argued that entrepreneurship breaks away from a sense of equilibrium through new goods, new production methods, new markets, new sources of materials, and new organizations. But, could these central entrepreneurial attributes towards life and work be learned or are they in-built in an entrepreneur's character?

I believe that ...

From this module I notice that some members of the group seemed to instinctively possess entrepreneurial skills, analyzing customers and markets and seeing opportunities for a new product. The leader of our group, Felix recognized the possibility of linking the university, students and surrounding businesses in order to create a business. This idea clearly shows entrepreneurship. Yet, other member was better at analyzing numbers and making clearer (economic risk) decisions. This module has inspired me, but

also made me realize that entrepreneurship is not for me at this point in my life, as I think that I crave job stability, and the structure of a large TNC over independence and free ability in decisions.

Mark Casson's theory synthesizes Joseph Schumpeter, Friedrich Hayek and Frank Knight's writing, with his known interpretation of entrepreneurship. According to Casson's theory successful entrepreneurs use good judgment when deciding risky innovations and are rewarded through profitability. His theory highlight the way in which entrepreneurs must use information in order to manage available resources as effectively as possible, ' an entrepreneur is someone who specializes in taking judgmental decisions about the coordination of scarce resources.' (Casson, 1982: 23)

Casson felt that the entrepreneur must use their intellect in order to manage information successfully in order to make decision for the future success of the firm. A key aspect of Casson's theory is the idea of coordination, which he defines, ' The concept of coordination captures the fact that the entrepreneur is an agent of change.' Casson believed that the company's success is based on a visionary in the company. The entrepreneur's decision-making ability, as well as how effacing they are in using information would determine their success. Casson argues, ' The synthesizing skills of the entrepreneur are closely linked to the core competencies of the firm.' (Casson, 1998: 2)

I believe ...

A recent Wall Street Journal article published in March 2012 gives a balanced debate of both sides to whether entrepreneurship can be taught or not, with Dr Wasserman and Mr. Hwang. Dr Wasserman, a professor at Harvard Business School argues 'many types of failure are predictable and avoidable.' (Wasserman, 2012) He considers that past experience can be used to ensure entrepreneurs make informed decisions. In contrast to Schumpeter's theory pointing towards entrepreneurial innovation and creative destruction Wasserman directs the reader to the idea that 'Entrepreneurs are ultimately general managers' (Wasserman, 2012) and thus can be taught about the pitfalls and many of the common mistakes made by eager and optimistic entrepreneurs starting on their journey into business.

In order to support his view Wasserman points out that, 'Nearly two-thirds of high-potential start-ups fail due to tensions within the founding and executive team. Our research is showing that many of those tensions are caused by early, ill-advised decisions about whom to involve in the start-up and how to involve them.' (Wasserman, 2012) In conclusion Wasserman disputes that, 'Every day, ill-advised, and easily avoidable, decisions are killing off great ideas that could help restore entrepreneurial magic to our economy. By educating founders about those kinds of pitfalls, we may be able to increase their success rates—and give the country a boost along the way.' (Wasserman, 2012)

But to what extent is Wasserman underlining that entrepreneurs can be taught? Is he in fact drawing emphasis that working and functioning

entrepreneurs could be better advised, as opposed to the inspiring youth to actually become entrepreneurs?

Mr. Hwang, managing director of T2 Venture Capital in Silicon Valley argues that entrepreneurship cannot be taught, and for the need for entrepreneurs to have 'real-world experimentation.' (Hwang, 2012) In the messiness of doing with customer, the unforeseen outcomes of decisions and the unpredictability of market conditions, Hwang argues people skills, upstanding customer needs and be adaptable are key traits needed to be a successful entrepreneur. Hwang argues, 'Entrepreneurship is messy. For an entrepreneur, there are rarely clear-cut right or wrong decisions day to day. Real life gives entrepreneurs the ability to better make those kinds of judgment calls.' (Hwang, 2012)

Central to Hwang argument that entrepreneurship cannot be learned is the idea that you must actually be involved in entrepreneurship to understand the logistics and complications, he uses a surfing metaphor in order to demonstrate this idea, 'Entrepreneurship can't be taught in a regular classroom any more than surfboarding can. To learn it, you have to get your feet wet in the real world.' (Hwang, 2012) Hwang disputes a successful entrepreneur must be flexible and adaptable to competition and unexpected changes to business, 'Entrepreneurship is messy. For an entrepreneur, there are rarely clear-cut right or wrong decisions day to day. Real life gives entrepreneurs the ability to better make those kinds of judgment calls.' (Hwang, 2012) In conclusion Hwang argues, 'Entrepreneurship is learned through the aggregate experience of a life that is lived.' (Hwang, 2012)

Comment on Hwang

Conclusion

Tie together theories and presented throughout the essay. There is no clear-cut answer. Defining Entrepreneurship, an Entrepreneur and Entrepreneurial Activities. When debating whether entrepreneurship can be learned or is intricately placed in someone's character and personality one must first define an entrepreneur and entrepreneurial practices to identify the end goal.

Casson – judgmental decision (synthesis of Knight, Schumpeter and others)

Alvarez – resource exploitation

Schumpeter – 'innovative entrepreneur'

Knight – estimate of and estimate

Casson defines an entrepreneur as 'someone who specializes in taking judgmental decisions about the coordination of scarce resources' (Casson, 1982: 23) Alvarez et al argue that resource exploitation and uses define entrepreneurship and opportunities by businesses to create capital from consumers, 'The different ways that resources, and the opportunities to exploit these resources, manifest themselves have resulted in different units of analysis and has hindered good theory development in the field of entrepreneurship.' (Alvarez et al, 2001: 756) 'But ideas are cheap, Schumpeter says, and what is truly difficult to face is the risk and uncertainty that comes with doing something in reality, not just in your mind.'

(Swedberg, 2007; 11)

Different people have very different perspective of what it means to be an entrepreneur. Some parts can be learned, but other part cannot. Can learn how to set up, run a business, business/entrepreneurial skills. But not mindset, ambition and decisions. Therefore course is valuable. Entrepreneurs can be taught to become better, therefore there is a need for lessons, but not necessary creating enterprenial mindset from the offset. Can entrepreneurship be taught? You cannot teach the desire, passion or drive, – but you can inspire it with the right environment.

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