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“ Entrepreneurship and innovation are not the same, but successful entrepreneurship requires innovation”. Entrepreneurship and innovation are two common concepts in the political discussion and are often mentioned as conditions for economic growth and sustainable development. In an increasingly developing world where competitiveness amongst corporate companies is rising, many firms are encouraged to be innovative in order to gain or sustain a competitive edge.

However, due to the deprivation of innovation in market conditions, it is presumed amongst experts that there may not be space for a significant development in the innovative field in the business future. In this essay I will reduce the existing ambiguity by describing the connection between innovations and entrepreneurial activities and comparing and contrasting different economic theories of entrepreneurship, along with reference to examples of innovation in practice.

It is important for us to consider how the term “ Entrepreneur” is defined by different economists. Economics assumes that the sole interest for people entering and carrying out business is to make money. Richard Cantillon of the French School of Thought is credited for developing the first economic theory of entrepreneurship in 1755.

He is known for being the “ first significant writer to make frequent and obtrusive use of the term entrepreneur in a semblance of its modern form” (Herbert and Link, 2006, p. 589), and defined the entrepreneur as someone “ working for oneself by assuming a level of personal risk”. Cantillon’s description of entrepreneurship is very different to the modern definitions we

see today, his theory of entrepreneurship being that entrepreneurs function by bearing risk under a theme of Uncertainty. According to (Cantillon, 1931, p.

151), entrepreneurs will “ buy at a low price the products of the villages and will transport them to the Capital to be sold at a higher price”. This highlights entrepreneurs as “ arbitrators”; acting on perceived opportunities to pursue profits. This idea is reiterated by Herbert and Link (1988, p.

21), stating that an “ important aspect of Cantillon’s theory is that it stresses the function, not the personality of the entrepreneur”. Upon evaluation of Cantillon’s theory of entrepreneurship, it is evident that good judgemental and managerial skills are seen as greater qualities of the entrepreneur as opposed to an innovative mindset. Therefore, in order to remain a dominant force in the competitive market, it would be necessary for the lead entrepreneur to acquire a team to provide the skill set lacked by the entrepreneur himself, most likely within the innovative and creative fields. The German-Austrian School of Thought provides a very different perspective of the characteristics of an entrepreneur. Joseph Schumpeter called for a different approach, in comparison to Cantillon for example, when defining his entrepreneur.

He heavily emphasises the innovative characteristic as the main function of the entrepreneur, suggesting that an entrepreneur is the person who is “ willing and able to convert a new idea or invention into a successful innovation”. Schumpeter however was more concerned with economic development rather than entrepreneurship, and stated that his

entrepreneur is the creator; one who causes market and economic change, as well as disequilibrium. He was a firm believer that innovation played a vital role in entrepreneurship; with the introduction of newly generated innovative methods, old industries will have lost its usefulness, because these new methods ensure production is more efficient for positive economic growth. The production market would be driven forward, and the firm would be able to produce more at a lower cost. This can be further supported through a concept created by Schumpeter known as the "gales of destruction". He derived it from work by Karl Marx, and popularised it as a theory of economic innovation and the business cycle. This concept is described by Schumpeter as the "process of industrial mutation that incessantly revolutionises the economic structure from within, incessantly destroying the old one, incessantly creating a new one" (Schumpeter, Joseph. 1994, Capitalism, Socialism and Democracy, p.

82-83). As a result of the growing innovative methods, many existing production processes and products would become outdated and worthless. This opens doors for competitive firms to imitate these fresh innovative ideas, resulting in a loss of profit for the original company if it was to stop innovating the existing products. A clear example of a company that utilises this method is Apple, with their ever growing range of iPhones. With the use of this cyclic process, Schumpeter was able to use entrepreneurship as a means to clarify economic growth and structural change. The last main school of Thought is the Austrian School of Thought, which suggests a different definition of an entrepreneur. Israel Kirzner's theory of

entrepreneurship explains the function of the man who pursues economic opportunities in the face of uncertainty. He describes " alertness" as the fundamental quality of the entrepreneur, meaning that the entrepreneur has the ability to perceive new economic opportunities that haven't been recognised by others.

This alertness however is dependent on knowledge; the entrepreneur's alertness can be used to detect arbitrage opportunities, recognising that certain sectors of production are under-priced, then proceeding to act on this knowledge to earn profit. Kirzner's theory stands in sharp contrast to that of Schumpeter's theory, obtaining a vision of a market socio-economy, which aims to enhance the entrepreneur's pursuit of a personal goal through market exchanges. Both Schumpeter and Kirzner see entrepreneurship as purposive, as well as being the driving force of socio-economy, however in terms of competition, Schumpeter's system erodes newly created profits, whilst Kirzner's theory provides a motivation for alertness to new profit opportunities. This can highlight the idea that in Kirzner's eyes, innovation and creativity are left as a secondary priority. The main aim is to seek opportunity before acting upon them, meaning that alertness is key in order to discover profit opportunities when the market is in a state of disequilibrium. With the three main Schools of Thought taken into consideration, we can now look at some economic theories and how they each have made an impact on innovation in society today.

Following on from Schumpeter's theory, taking an innovative stance when it comes to entrepreneurship can result in lasting value for society.

Forexample, the role of an entrepreneur is still considered as a key responsibility when it comes to the creation of jobs. If the entrepreneur is an innovative figure, just like Schumpeter describes, the entrepreneur must enter the market with a whole new market segment, with new goods and services. As demand increases, the company's growth would increase, because of this innovative edge.

Increased demand means that the company would need to employ more people to ensure efficient production. This in turn would create more jobs for society, and would aid in moving the economy forward and decreasing unemployment. The use of innovative methods can also bring about a contribution to socio-economic development. For example, innovation can help alleviate social challenges, which encompass health and demographic challenges, and social exclusion and inequalities, among others.

For example, innovation can help elderly individuals remain healthier, live independently longer, and counteract the diminishing of physical capabilities that become more prevalent with age. Innovation can also provide more personal, preventive health care products that ensure an improvement in the quality of human health. This can help reduce differences in living standards between groups in society, because these innovations are in a sense cheaper and simplified versions of already existing goods. This creates a long lasting, positive effect on society today.