

≈ SUMMARY ≈

FUNDAMENTALS OF ENTREPRENEURSHIP

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Fundamentals of New Venture Creation: Theoretical Implication

Many scholars are of the opinion that entrepreneurship as a field, even though has grown but there is lack of progress in the field. This haphazard growth has led to a situation where it is very difficult to develop a good theory on entrepreneurship. Inability to develop theory in the field of entrepreneurship has been attributed to many factors that include definitional issues in the area of entrepreneurship, the scope of entrepreneurial activities, relevance and measurement of various constructs used in entrepreneurship to describe the phenomenon. Besides these issues, unit of analysis and lack of longitudinal studies are further impediments to the development of entrepreneurship as a field.

The biggest obstacle towards developing the theory of entrepreneurship comes from the fact that field lacks a clear definition despite the field in existence for more than half a decade. However, off late, there seems to be some kind of convergence towards defining entrepreneurship in term of opportunity development and exploitation. Shane and Venkataraman, define entrepreneurship as – *a scholarly field that seeks to understand how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom, and to with what consequences.* We have made slight modification in the definition by adding organizing, explicitly in the definition, as key feature of entrepreneurship. Based on this analysis, scope of entrepreneurship as a field of academic inquiry can be defined in terms of studying the phenomenon that includes: 1. The cause of entrepreneurial activities 2. The entrepreneurial activity and 3. The consequences of entrepreneurial activities.

This definition that we have adopted could be used to explain entrepreneurial activities as well, though scholars have used various ways to explain the phenomenon of entrepreneurship. We argue, based on analysis of the literature that entrepreneurship as a phenomenon to be properly explained, its basis has to be *emotions* and *information*. The definition that we have adopted assumes that there is opportunity, which means there is asymmetry of information among different individuals in the environment. This opportunity has to be identified and exploited which assumes that someone is willing to put effort to do so. The willingness to put efforts would only be there when an individual has motivation or emotional energy to identify and exploit opportunity. Ideal typically speaking, this categorization, between emotions and information, could become the basis of building the theory of entrepreneurship. This would also differentiate entrepreneurship from other related concepts such as management and leadership. Entrepreneurship could be distinguished from management, as management is, ideal typically, restricted to routine activities where the role of emotions is minimized and over a period of time, management becomes a habitual action for the manager where role of emotion as a reaction and hence motivating force is minimized. Whereas, we argue, entrepreneurial action, involves combination of both information and emotions. Leadership as behavior could be differentiated from entrepreneurship in a way that leadership, ideal typically, does not involve production of goods and services by way of organization on part of leader.

The next big obstacle in developing entrepreneurship theory is that lack of relevant constructs in the field. We do not offer new constructs to explain entrepreneurship as a phenomenon but we propose that any construct devised in entrepreneurship should be in a position to measure the two essential ingredients of entrepreneurial action that we described viz. information and emotion. We agree with scholars that entrepreneurship is different from entrepreneurs but we also feel that there is no entrepreneurship without entrepreneurs. Entrepreneurs are important because entrepreneurs through emotional energy produce reaction to environment. This emotional energy is an important ingredient of entrepreneurial action. This emotional reaction to the environment is a necessary condition for entrepreneurship. The sufficient condition could be conceptualized in the form of information. The success of entrepreneurial action would depend on whether the actions taken, by entrepreneur along with all the stakeholders, are in synchronization with the demands of the environmental norms for performance. Implicit in this is the fact that the more the information, better it is in a particular context, given the performance requirements. The information on which entrepreneurial action is based can originate from two sources: entrepreneur himself and his network inclusive of strong and weak ties.

Hence all the concepts that are used to explain entrepreneurship should focus, explicitly, on measuring the information and emotional content. We argue that the similar analysis could be done for whatever the unit of analysis it might be viz. individual, department, organization or society.

Methodology/Key Propositions

This is a theoretical paper, which has been developed by analysis of existing literature. The literature was selected from top journals and books on entrepreneurship primarily from 1985 to 2005, though not restricted to this period only.

Results and Implications

Entrepreneurial action hinges on a mixture of two essential factors in the form of emotion and information. This means that entrepreneurship, as an activity, requires analysis of interplay between individual and the situation.

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