

CHAPTER 2

2 ENTREPRENEURSHIP THEORY AND CREATIVITY

2.1 Introduction

The purpose of this chapter is to establish whether entrepreneurship theory provides guidelines, specifically through definitions of the domain, as to how the concepts “creativity” and “innovation” are linked to the domain and which subjacent constructs of the concepts “creative” and “innovative” can be identified as unique to the entrepreneurship domain. The chapter layout is explained in Figure 2.1

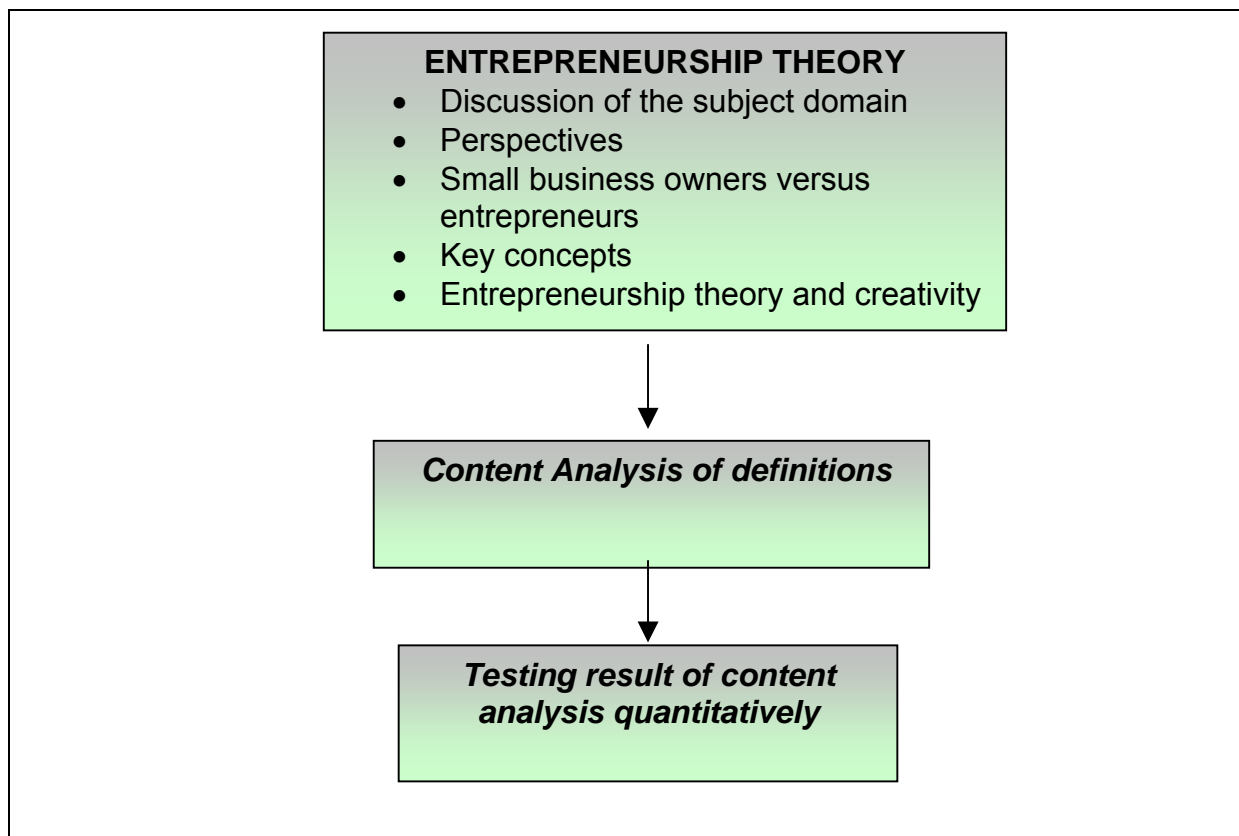


Figure 2.1: Layout of Chapter 2

In investigating the entrepreneurship domain it is helpful to establish the boundaries of the domain (Carton *et al.* 1998:4):

- Entrepreneurship begins with action, the creation of a new organisation including the antecedents to its creation, inter alia, scanning the environment for opportunity, the identification of the opportunity to be pursued, the evaluation of the feasibility of the new venture.

- The second dimension of the entrepreneurship paradigm is venture performance. According to some authors, growth seems to be a typical characteristic of entrepreneurial ventures. It is important to have a clear description of the term "growth". Quantitative growth can be characterised by the company size (turnover, added value, volume), the profitability of the company and the value of the company (shareholder value). Qualitative objectives are linked with the quantitative objectives, not as an aim in itself but as strategic means for the realisation of the growth of the enterprise. The competitive position, product quality and customer service are examples of qualitative growth objectives for companies.

In analysing various definitions of entrepreneurship, the researcher aims to find the entrepreneurship domain's delimitation of activities core to the domain. It will also be attempted by means of counting the number of references to the concepts in citations and abstracts of periodical articles in the domain to establish its acceptance of creativity and innovation as core to entrepreneurship.

2.2 The Entrepreneurship Subject Domain

Entrepreneurship is a relatively young academic field in the early stages of its developmental cycle. This creates problems in defining the field and the scope of its research. There is also the lack of a unifying framework that distinguishes entrepreneurship from strategic management (Zahra & Dess 2001:9).

Plaschka and Welsch (1990:105) argue that the development of entrepreneurship as a discipline went through four fundamental phases before it was acknowledged as an acceptable academic subject.

2.2.1 Systematic theory development

The consensus surrounding an acceptable definition with regard to the acceptance of the fact that entrepreneurs can be trained, the movement towards more sophisticated research methods and statistical techniques, a move towards the usage of

bigger samples, the division and attention to entrepreneurship and intrapreneurship form part of the theory development.

Although there are several theories on entrepreneurship, there are very few mathematical models, which formally analyse entrepreneurial behaviour within a closed economic system. It is often argued that entrepreneurship is by nature spontaneous and therefore entrepreneurial behaviour cannot be predicted using deterministic models (Eatwell, Milgate & Newman 1987:151).

Most management researchers agree that currently there is not a single accepted definition of “entrepreneur” that has been uniformly accepted in the literature (Carlock 1994:18) (Grant & Perren 2002:186). Selecting an appropriate basis for defining and understanding entrepreneurship creates a challenge for academic researchers and writers due to the fact that a number of schools of thought exist that view the notion of entrepreneurship from fundamentally different perspectives. The term has been used to indicate a range of activities from creation, founding, adapting to managing a venture (Cunningham & Lischeron 1991:1).

2.2.1.1 Mainstreams of entrepreneurial research and its development

One should look at the development of entrepreneurship from the classical viewpoint. Those authors and pioneers made a substantial contribution both towards the initial development and the later contemporary developments. Two basic trends can be observed in the field of entrepreneurship. The first stemmed from the work of Turgot and Say (1803) and considered the entrepreneur to be the person who creates and develops new businesses. The second takes the view of Cantillon and Schumpeter, namely that the entrepreneur is an innovator (Bruyat & Julien 2000:167).

Say recognised the managerial role of the entrepreneur. In the business the entrepreneur acts as leader and manager because he plays an important role in coordinating production and distribution. Wealth was part of the process and was created by production. Say introduced a distinction between the supply of capital function and the enterprise function (Jennings 1994:48).

Cantillon (1725) was the first to place the entrepreneurial function in the field of Economics. The principle of profit maximisation immediately became part of the definition of an entrepreneur. Cantillon argued that entrepreneurs were directly involved in the equilibrium of supply and demand (Jennings 1994:43).

Schumpeter, as referred to by Mourdoukoutas (1999:75), treated entrepreneurship as a distinct and separate function of the firm and identified five ways of revolutionising the pattern of production:

- The development of a new product i.e., a product never introduced before, or the substantial improvement of quality of an existing product.
- The discovery of a new production method. The term discovery does not necessarily mean scientific discovery but the genuine application of an existing method to an industry.
- The discovery and exploitation of a new market. The term discovery does not necessarily apply to a new geographical market or an unknown market, but rather a market that an industry has not explored before.
- The discovery and exploitation of a new source of supply of raw materials. Again the term "discovery" does not necessarily apply to a new geographical resource market or an unknown resource, but rather a resource that was never used in a certain industry.
- The discovery/development and implementation of a new way of organisation.

The Schumpeterian model of the theory of entrepreneurship makes no attempt to deduce what the innovating entrepreneur does or how he or she can do it better, neither does it make any pretence of constituting a piece of theoretical reasoning (Bull *et al.* 1995:23). Theoretical analysis only enters the discussion when Schumpeter turns to the enhancement of profits made possible by innovation, which in turn, stimulates imitation that finally brings the flow of innovator's profits to an end. This model was designed to show why innovators must search constantly for yet further novelties if the flow of profits is to be held steady and why they are forced to keep running in order to stand still. Thus the model leads us to see the innovator as a driven individual whose hand is forced by the pursuit of profits. The model focuses upon three relationships:

- The effects of innovation upon profits
- The effects of innovation upon the activities of imitators

- The effect of the behaviour of profits on the activities of the innovating entrepreneur.

Much of the academic debate on entrepreneurship over the last quarter of a century or more has concerned itself with entrepreneurial, behavioural and personal traits (McClelland (1961); McClelland & Winter (1969); Fraboni & Saltstone (1990), in Gibb1998).

After the eighties, however, the focus of entrepreneurship researchers changed to activity based research. In this context entrepreneurial orientation was found to place emphasis on opportunity and the task of acquiring resources to pursue that opportunity. It was this inclination that led to the definitions of entrepreneur by looking at "creative" and "innovative" as descriptors/concepts (Kao 1991:191).

Low (2001:24) proposed that entrepreneurship as a scholarly field should seek to understand how opportunities bring into existence future goods and services that are discovered, created and exploited, by whom and with what consequences.

The entrepreneurship division of the Academy of Management in the USA has developed the following specific domain statement to guide entrepreneurial research (Jennings 1994:12):

The creation and management of new businesses, small businesses and family businesses and the characteristics and special problems of entrepreneurs.

Major topics include new venture ideas and strategies, ecological influences in venture capital and venture teams, self-employment, the owner-manager, and the relationship between entrepreneurship and economic development.

From a subject-area approach, the study of entrepreneurs can be conducted under one or a combination of the four mainstreams as compiled and summarised in Table 2.1(Chu 1998:9). By concentrating on mainstreams of different disciplines, the emphasis of the research subject and the line of inquiry would vary according to the interest of the disciplines.

Table 2.1: The Mainstreams of Entrepreneurial Research (Chu 1998:9)

Mainstreams	Research Subjects	Line of Inquiry
Psychological: Traits and behavioural	Entrepreneurs' characteristics and entrepreneurial process	Causes (Why)
Sociological: Social and cultural	Entrepreneurs of different social or cultural backgrounds	Causes (Why)
Economics	Relationship between economic environment and entrepreneurship	Effects (What)
Management	Entrepreneurs' skill, management and growth	Behaviour (How)

2.2.1.2 Entrepreneurship Defined

Bruyat and Julien (2000:166) are of the opinion that good science starts with good definitions and that a minimum level of consensus is needed on the definition of what the field is and what it is not.

The challenge of defining entrepreneurship is compounded by, inter alia,

- The fact that the understanding of the word "entrepreneurship" is often personal-like "creativity" or "love", all have an opinion about it
- "Entrepreneurship" is increasingly synonymous with "good"
- While "entrepreneur" has some tangibility because it refers to a person, "entrepreneurship" is more difficult to define because it is an abstraction, and
- Definition is difficult when it is assumed that entrepreneurship is something opposed to, or divorced from, management (Kao 1991:14).

The word "entrepreneur" is derived from a French root 'entreprendre', meaning, "to undertake". The term "entrepreneur" seems to have been introduced into economic theory by Cantillon (1755) but Say (1803) first accorded the entrepreneur prominence. It was Schumpeter however, who really launched the field of entrepreneurship by associating it clearly with innovation (Filion 1997:2).

Drucker's definition of entrepreneurship, namely a systematic, professional discipline, brought a new level of understanding to the domain (Maurer, Shulman, Ruwe & Becherer 1995:526). Sharma and Chrisman (1999:12) identified two clusters of

thought on the meaning of entrepreneurship. One group focused on the characteristics of entrepreneurship (e.g. innovation, growth, uniqueness) while a second group focused on the outcomes of entrepreneurship (e.g. the creation of value).

Although the effort to create purposeful focused change in an enterprise's economic potential drives the practice of systematic innovation which forms the very foundation of entrepreneurship, there is more to entrepreneurship than systematic innovation, e.g. strategy (Drucker 1998:145). The Chair in Entrepreneurship, Department of Business Management, at the University of Pretoria (2002:6) defines an entrepreneurial venture as one that constantly seeks growth, innovation and has strategic objectives.

Filion (1997:1) is of the opinion that the confusion surrounding the definition of "entrepreneur" was perhaps not as great as thought because similarities in the perception of the entrepreneur emerge within each discipline, e.g. economists associated entrepreneurs with innovation, whereas behaviourists concentrated on the creative and intuitive characteristics of entrepreneurs.

Outcalt (2000:1) concludes that to varying degrees three traits have been included in the definition of entrepreneurship:

- Uncertainty and risk
- Complementary management competence, and
- Creative opportunism.

Outcalt (2000:1) is furthermore of the opinion that to ignore any of these areas is to risk repeating, rather than learning from, the history of the concept of entrepreneurship.

2.2.2 Authoritarian and professional organisations

Formal disciplines are known by the support and existence of recognised representative professional organisations. The first representative organisation was "Recontres de St.Gall" in 1947. Presently about one similar entity exists in each state of the USA (Antonites 2003:49).

2.2.3 A professional culture

The entrepreneurial hero of the 1990s replaced the image of the “Robber baron of villains” of the 19th century. The value of entrepreneurship is currently recognised through concepts like creativity, innovation and opportunity development in a dynamic environment. As a result it is also formally accepted that entrepreneurial activity, is the key to innovation, increased productivity and more effective competition in the market environment (Antonites 2003:49).

2.2.4 Entrepreneurship as a career

An acceptable pointer to the professionalism of a discipline is when its existence leads to a career or job opportunities. Mahlberg (1995:37) critically states that entrepreneurship as a discipline is one of the few subjects that pushes integration and the combination of functional knowledge and abilities to the limit.

2.3 Various perspectives of Entrepreneurship

The term “entrepreneurship” has historically referred to the efforts of an individual who takes risks in creating a successful business enterprise. More recently entrepreneurship has been conceptualised as a process that can occur in organisations of all types and sizes.

No person, act, or product is creative/entrepreneurial or non-creative/non-entrepreneurial in itself. Judgments of creativity are inherently communal, relying heavily on individuals’ expertise within a domain. In business it is necessary to have an appropriate, useful and actionable idea before it can be accepted as creative. It must somehow influence the way business gets done – for instance by improving a product or by opening up a new way to approach a process (Amabile 1998:78).

Kaufmann and Dant (1998:5) in a landmark study categorised the definitions of entrepreneurship as having to do with the following perspectives:

- Traits
- Processes, or

- Activities.

Each of these is further explored in what follows:

2.3.1 Personality traits perspective of Entrepreneurship

In the trait approach, the entrepreneur is assumed to be a particular personality type. The point of much entrepreneurship research has been to enumerate a set of characteristics describing the entity known as the entrepreneur. Examples of concepts investigated, are "fundamental change", "innovative, flexible, dynamic risk taking, creative", "alertness", "need for achievement", "ambition" (Kaufmann & Dant 1998:6).

Examples of definitions from the traits perspective are the following:

- An entrepreneur is an individual who possesses qualities of risk-taking, leadership, motivation, and the ability to resolve crises
- Entrepreneurs are leaders and major contributors to the process of creative destruction
- An entrepreneur is an individual who undertakes uncertain investments and possesses an unusually low level of uncertainty aversion. (Kaufmann & Dant 1998:7)

Entrepreneurial attitudes and behaviour also include openness to new information and people, motivation, making independent and self-directed decisions, the ability to see opportunities in a rapidly changing and uncertain environment, persistence, the motivation to achieve, technical know-how, personal integrity, taking ownership and being accountable, the capacity to manage and organise as well as specific categories of cultural characteristics (Johnson 2001:137).

A common criticism of theories which place weight on personality traits is that these theories are difficult to test (Eatwell *et al.* 1987:152). Kaufmann and Dant (1998:8) support Amit, Glosten and Muller in their conclusion that it has not been proven that a set of essential entrepreneurial characteristics exist. Therefore, it may be more appropriate to accept the view (Jennings 1994:13) that there is a continuum along which several types of entrepreneurs exist.

2.3.2 Process perspective of Entrepreneurship

Two broad dimensions of the entrepreneurial process are discernable in the literature:

- Opportunity recognition and information search, and
- Resource acquisition and business strategies.

Definitions (Kaufmann & Dant 1998:9) using the process perspective, are, inter alia,

- Entrepreneurship is the creation of a new enterprise
- Entrepreneurship is the creation of new organisations
- Entrepreneurs introduce new combinations of the factors of production that, when combined with credit, break into the static equilibrium of the circular flow of economic life and raise it to a new level
- Entrepreneurship is the process of extracting profits from new, unique and valuable combinations of resources in an uncertain and ambiguous environment.

Dess, Lumpkin and McGee (1999:94) indicated that the relationship between entrepreneurial processes and performance is an important empirical question and prevents the assumption that first-movers or firms that incur the greatest business and financial risk, spending the most on innovation are always rewarded in the marketplace.

The integration of the key dimensions of the entrepreneurship process has resulted in an inter-actionist perspective, providing a framework for examining the ways in which an entrepreneur's personal attributes interact with other variables to ultimately affect the organisation's actions and performance (Kickul & Gundry 2002:87).

2.3.3 Behavioural/Activities Perspective of Entrepreneurship

Shapiro (1983:85) defined an entrepreneurial activity as an activity with the objective to change the system, by increasing the productivity of the system, decreasing the cost of part of the system, producing accrual of personal wealth and/or producing an increase of social values. He included the following assessment measures:

- The magnitude of the attempted change
- The success of the attempt

- The cost of the attempt, and
- The risk of the attempt.

Gartner (1985:699) listed the following six common behaviours of entrepreneurs:

- Locating a business opportunity
- Accumulating resources
- Marketing products and services
- Producing the product
- Building an organisation, and
- Responding to the environment (government and society).

Lucskiw (1998:6) made the following observations regarding the entrepreneur's *modus operandi*, intrinsic motivation and individual sense of meaning:

- Entrepreneurs as individuals are agents of change who break with existing ways of doing things in order to create what has not been created before
- Entrepreneurial activities take place outside organisations as well as in the external environment. Some of these activities include:
 - product and service innovation,
 - identification of new opportunities and niches,
 - innovative ways of producing or delivering new products or services (process innovation), and
 - innovative means of securing resources.
- Successful entrepreneurs are in control of their destiny. They transcend their culture and genetic determinants by becoming conscious of their uniqueness and differentiation
- Successful entrepreneurs are expert collaborators and networkers inside and outside their enterprise. It is this integration, along with their uniqueness and differentiation, which determines the success of their enterprise
- While not everyone will become an entrepreneur, everyone has the capacity to internalise entrepreneurial habits
- Most people that start an enterprise are not entrepreneurs. They are either small business owners or self-employed. The former are managers of small enterprises such as franchises or retail outlets, while the latter turn a skill into a self-employment situation (plumbers, dentists)
- Entrepreneurs are found inside large organisations
- Entrepreneurs are found in all industries
- They view exports as a major source of income
- They compete effectively in the global arena. They demonstrate a high degree of collaboration with local competitors

- Their success is determined by how effectively they exploit emerging niches, how closely they pay attention to enhancing customer value, and how effective they are in creating a systems strategy that consistently delivers value
- They deal effectively with chaos and crisis. They view this as a normal condition
- Many are family-owned enterprises. This can either be a blessing or a curse
- Their goal is to become the pre-eminent market leader
- Attitude is considered to be more important than knowledge and skills in determining the success of their enterprise.

The decision to behave entrepreneurially is influenced by:

- An entrepreneur's personal characteristics
- The individual's personal environment
- The relevant business environment
- The specific business idea, and
- The goals of the entrepreneur (Naffziger, Horsnby & Kuratko 1994:32).

In the behavioural perspective the model of Covin-Slevin (1991:16) integrates important constructs and focuses on the nature of entrepreneurial behaviour, the locus of entrepreneurship and the link between entrepreneurial posture and firm performance.

Definitions emphasising the activities perspective (Kaufmann & Dant 1998:9) are, inter alia,

- Entrepreneurship is the purposeful activity to initiate, maintain and develop a profit-oriented business
- An entrepreneur performs one or more of the following activities:
 - connects different markets
 - meets/overcomes market deficiencies
 - creates and manages time-binding implicit or explicit contractual arrangements and input-transforming organisational structures, and
 - supplies inputs/resources lacking in the marketplace
- Entrepreneurs perceive profit opportunities and initiate actions to fill currently unsatisfied needs or to do more efficiently what is already being done
- Entrepreneurs are residual claimants with operational control of the organisation.

Kaufmann and Dant (1998:9) concluded that if entrepreneurship is an exceptional and discontinuous change introducing activity in the Schumpeterian sense, the goal of predicting, packaging and specifying that process is an illogical exercise.

2.4 Entrepreneurs versus small business owners

Entrepreneurship, as seen by Timmons (1999:27), and Van Vuuren and Nieman (1999:3), is regarded as the starting of a business (utilising of an opportunity) and/or the growth and development of that specific business. Small business management is seen as the starting of the business, growth and development up to a certain stage, then the loss of its entrepreneurial flair.

Trevisan, Grundling and de Jager (2002:135), in an investigation of the importance of entrepreneurial qualities among small business owners and non-business owners, found that creativity is the characteristic where the difference between small business owners and those people who are not small business owners showed at its strongest.

De Clerq, Crijns and Ooghe (1997:7) point out the distinguishing characteristics of a dynamic entrepreneur, in contrast to those of the average small business owner:

Table 2.2: The characteristics of an entrepreneur versus the average small business owner (De Clerq, Crijns & Ooghe 1997:7)

Small/Medium Business Owner	Dynamic Entrepreneur
Static	Growing
Status quo	Vision, opportunistic
Local	Global
Limited	Expanding
Internal resources	External Resources
Self employed	Professional Team
Avoids competition	Seeks competition
Risk averse	Risk taking and sharing
Survival	Success

In analysing the entrepreneur's creative thinking processes along the time frame of the pre-idea phase through to the creation phase of the opportunity, the entrepreneur's predisposition towards innovation, growth objectives and strategic objectives needs to be investigated.

2.4.1 Innovation

The successful entrepreneurial venture is usually based on a significant innovation. Innovation is the sum of invention plus the commercialisation of that invention (Ireland, Hitt, Camp & Sexton 2001:56). This might be of technological, services and or managerial nature.

Small businesses on the other hand focus on the delivery of existing products and/or services. This does not mean that small businesses don't do anything new. While a small business may be new to a locality, it is not doing something new in a global sense, whereas an entrepreneurial venture is usually based on a significantly new way of doing something (Wickham 2001:73).

Jennings (1994:139) supports Schumpeter's criteria of the identification of entrepreneurial ventures, namely in the strategic behaviour of the firms resulting in the introduction of new goods, the introduction of new methods of production, the opening up of new markets, the introduction of new sources of supply or industrial re-organisation.

According to Jun and Deschoolmeester (2003:4) the entrepreneurs' innovativeness is demonstrated by their willingness and capability to create a paradigm shift in science and technology and/or market structure in an industry from a macro perspective. From a micro perspective, the innovativeness is the willingness and the capability of entrepreneurs to influence the firm's existing marketing resources, technological resources, skills, knowledge, capabilities, or strategy.

2.4.2 Potential for growth

As the field has matured and become more sophisticated, growth has become the distinguishing factor between small business and entrepreneurship. Business growth is to be understood as an open process with an unpredictable outcome in evolutionary terms, also related to adaptation and learning which occurs in the process of dealing with the business environment (Welter 2001:1).

The size of a business is a poor guide to whether it is entrepreneurial or not. Nieman and Bennett (2002:63) identify growth as an important factor of entrepreneurship and one that distinguishes the entrepreneurial venture from the small business. The entrepreneurial venture usually has a great deal more potential for growth than the small business has. This is because the entrepreneurial venture is usually based on a significant innovation. A small business operates within its market; the entrepreneurial venture is in a position to create its own market.

Growth is, inter alia, measured in financial terms such as:

- Turnover
- Profit
- Total assets
- Net assets
- Net worth, and
- Increase in number of employees (Nieman & Bennett 2002:65).

It must also be kept in mind that growth cannot be adequately explained from a single perspective, but individual, organisational and environmental research domains predict venture growth better when the web of complex indirect relationships among them is included (Baum, Locke & Smith 2001:301).

Van Vuuren and Nieman (1999:4) further developed entrepreneurial performance as a construct. According to them, entrepreneurial performance is based on the two pillars of true entrepreneurship, namely, the starting of a business/utilisation of an opportunity, and the growth of the business idea. The development of a business idea can be linked to “opportunity exploitation”, which is the construct identified through the content analysis of definitions of entrepreneurship in chapter two. It seems that when looking at “entrepreneurship” from an activity-based perspective, business growth can be seen as the output/result of successful “opportunity exploitation”. The “business growth” construct can be presented as: growth in profitability, productivity, effectiveness, net worth as well as the number of employees employed by the entrepreneur. An increase in the level of these variables over a certain period of time, with the starting point of measurement the first market related transaction with customers, is seen as an increase in his/her entrepreneurial performance (E/P).

Van Vuuren and Nieman (1999:4) proposed entrepreneurial performance (E/P) as a linear function of motivation (M) x entrepreneurial skills (E/S) x business skills (B/S).

Growth leads to managerial complexity which can be defined as an indicator of the challenge faced by entrepreneurs as a function of the number, variety, and interrelationships among tasks required to administer the operations of a firm effectively and efficiently (Sexton & Smilor 1997:97).

2.4.3 Strategic objectives

A strategy may be considered a pattern in a stream of decisions that guides an organisation's ongoing alignment with its environment and shapes internal policies and procedures (Mullins, Cardozo, Reynolds & Miller 1992:322). In general, the strategic rules of conduct are based on the ideas of trying to gain a competitive advantage within an existing industry.

Objectives are a common feature of managerial life. Most businesses have at least some objectives. Even the smallest business should have sales targets if not more detailed financial objectives. The entrepreneurial venture will usually go beyond the small business in the objectives it sets itself in that the objectives will be strategic in nature. The task is one of optimising within given constraints and is usually conducted through a deductive form of analysis employing somewhat mechanistic systems and frameworks to support a "vertical" style of thinking (Bull *et al.* 1995:36).

Strategic objectives relate to such things as the following:

- Growth targets – year on year increase in sales, profit and other financial targets
- Market development – creating and stimulating the firm's market
- Market share – the proportion of the market the business serves
- Market position – maintaining or improving the venture's position relative to its competitors.

Both entrepreneurship and strategic management have wealth creation at the core. The term "entrepreneurial orientation" has been used to refer to the strategy making processes and styles of firms that engage in entrepreneurial activities. Lumpkin and

Dess (1998:429) identified the following five dimensions of entrepreneurial orientation:

- Autonomy (independent action by an individual or team aimed at bringing forth a business concept and carrying it through to completion)
- Innovativeness (a willingness to support creativity and experimentation in introducing new products/services and novelty, technological leadership and R&D in developing new processes)
- Risk taking (a tendency to take bold actions such as venturing into unknown new markets)
- Proactiveness (an opportunity-seeking, forward looking perspective introducing new products or services), and
- Competitive aggressiveness (the intensity of the firms' efforts to outperform industry rivals).

To survive and grow, businesses must adopt entrepreneurial initiatives as part of their strategy and that means implementing a dynamic process that stimulates a continuous flow of ideas and, thereby, provides the potential for an ongoing competitive advantage. The entrepreneur has to recognise that the current situation does not represent the best way of doing things and that the status quo does not exhaust all possibilities, to be motivated by an opportunity.

2.5 Key Concepts of the Entrepreneurship Domain

The early definitions of entrepreneurship emphasised risk bearing and responding to economic discontinuities. Later definitions focused on risk taking. The maximisation of opportunities is mentioned by Jennings (1994:10) as well as the fact that the entrepreneur creates and maintains a profit oriented business on purpose.

VanderWerf and Brush in Jennings (1994:12) reviewed 25 definitions for entrepreneurship and indicated that entrepreneurship has been defined as a business activity consisting of some "intersection" of the following behaviours:

- Creation – the establishment of a new business unit
- General Management – the managerial direction of, or resource allocation for, a business
- Innovation – the commercial exploitation of some new product, process, market, material, or organisation (including the "discovery" thereof)

- Risk bearing – the acceptance of uncommonly high risk from the potential losses or failure of a business unit
- Performance intention – the intent to realise high levels of growth and/or profit through a business unit.

De Klerk and Kruger (2003:3) summarised the determinants of entrepreneurship as follows:

- Alertness
- Foresight
- Risk Bearing
- Sufficient capital
- Sufficient Knowledge
- Judgement
- Creativity
- Innovations
- Ambition
- Vision
- Decisiveness
- Determination
- Dedication
- Values
- Adaptability, and
- Reward.

If the three key concepts (growth, innovation and strategic objectives) that distinguish the entrepreneur from the small business manager are investigated it is possible to conclude that the key concepts of the entrepreneurship domain are innovation and strategic objectives (with their various sub constructs) that impact on a venture's potential for growth.

2.6 Entrepreneurship theory and creativity

Researchers use theories to explain phenomena. These theories consist of concepts and constructs. Bull *et al.* (1995:5) define a theory as “a set of interrelated constructs (concepts), definitions and propositions” that presents a systematic view of phenomena by specifying relations among variables, with the purpose of explain-

ing and predicting phenomena. A construct is defined in terms of other constructs by conceptual definitions (Jennings 1994:131).

Bull *et al.* (1995:7) state that entrepreneurship theory essentially consists of a new combination causing discontinuity which will occur, under the following conditions:

- Task-related motivation i.e., some vision or sense of social value embedded in the basic task itself that motivated the initiator to act
- Expertise i.e., present know-how plus confidence to be able to obtain know-how needed in the future
- Expectation of gain for self (economic and/or psychic benefits), and
- A supportive environment.

Gnyawali and Fogel (1994:43) describe the entrepreneurial environment as a combination of factors that play a role in the development of entrepreneurship, including the overall economic, socio-cultural and political factors that influence people's willingness and ability to undertake entrepreneurial activities.

Schein (1985:28) in his work on career anchors introduced the notion of entrepreneurial creativity. The primary concern for someone with an entrepreneurial career anchor is to create something new, involving the motivation to overcome obstacles, the willingness to run risks, and the desire for personal prominence in whatever is accomplished. A strong need to build something and to feel that what was built is due to personal efforts is a primary motivation.

However, the skill or talent for identifying latent demand is very real, though rare. In those instances where it does succeed, it is based upon a strong conviction in the reality of an opportunity to create new patterns of demand (Bull *et al.* 1995:37).

2.7 A summary of the literature reported

Research linking the notion of entrepreneurship to behavioural aspects has been plagued with a number of problems, inter alia, definitions regarding entrepreneurship, theory development, measurement of psychological concepts, methodological determinism, data-analytic techniques, sample selection and sample size (Jennings 1994:130).

It was found that entrepreneurship researchers initially concentrated on a trait approach and that it is only during the eighties and later, that the research started to focus on what entrepreneurs do rather than on what their character traits are.

In the absence of consensus about the concept "entrepreneurship", Venkataraman, requested that consensus be reached rather on the distinctive domain of entrepreneurship research, namely that entrepreneurship as a scholarly field seeks to understand how opportunities for profit are discovered and exploited, by whom and with what consequences (Venkataraman, MacMillan & McGrath 1990:488).

It is no wonder that, in a field where one still seeks to understand how opportunities for profit are discovered and exploited, training and development curricula for the application of skills necessary to discover and exploit those opportunities have lacked behind. Davidsson, Low and Wright (2001:9) mention that no theory, no matter how integrated can deal with all the aspects included in the Academy of Management, Entrepreneurship Division's domain statement.

Much research has been done on the differences between entrepreneurs and non-entrepreneurs (Gartner 1985:696). The critical factor proposed to distinguish entrepreneurs from non-entrepreneurial managers and or small business owners, as deduced from the literature, is innovation. The entrepreneur is characterised by a preference for creating activity, manifested by some innovative combination of resources for profit.

From 1990 the emphasis moved towards behavioural and cognitive issues rather than personality characteristics. In recent years, definitions of entrepreneurship have increasingly focused on opportunity as existing at the core of our understanding of the phenomenon (Hills & Shrader 1998:2). Hills, Shrader and Lumpkin (1999:2) furthermore, regarded opportunity recognition as a unique application of the creative process. This rediscovery of the individual as entrepreneur combined with an expanded set of contexts creates new possibilities for research (Davidsson *et al.* 2001:10).

Morris and Jones (1999:73) indicated that the entrepreneurial process has attitudinal and behavioural components. Underlying these entrepreneurial attitudes and behaviours are three key dimensions: innovativeness, risk taking and pro-activeness. The

three key dimensions can be linked to the three key concepts identified, namely strategic objectives and innovation that impact on venture growth.

Although entrepreneurship research that examines context and process is important, it is the outcome of the exploitation of entrepreneurial opportunities that determines the contribution of entrepreneurship to wealth creation. Therefore, while the entrepreneur may borrow ideas from other people he/she first needs to implement these ideas before they can become entrepreneurial acts.

However, the science of entrepreneurship is now moving beyond characteristics towards the behavioural phase concentrating not on what personalities entrepreneurs have but on what it is that they do (Timmons 1999:221).

2.8 Content analysis of Entrepreneurship definitions

Content analysis research is the systematic gathering of information about human activity that is not directly observable, measurable, or obtainable from first hand interaction (Gallagher, Marken, Kim, Phillipson & Dodge 2000:1). Content analysis researchers learn about behaviour indirectly by analysing the manifest and latent content of all forms of communication (see also Table 2.3).

The aim of the content analysis in this chapter is to identify the meaning of the definitions of entrepreneurship as used by researchers in the entrepreneurship domain, in relation to the constructs “creativity” and “innovation”. Although there is no simple correct way to do content analysis (Krippendorff 1980:107) one commonly used procedure involves eight steps, which were used in the following analysis of entrepreneurship definitions, namely:

- Identify the questions to be asked and the constructs to be used
- Choose the texts to be examined

- Decide on the size or type of response to be counted in the analysis, the so-called "unit of analysis"
- Determine the categories into which the responses are to be divided
- Generate a coding scheme
- Conduct a sample or pilot study and revise the categories and coding scheme as needed
- Collect the data
- Assess validity and reliability, having earlier reviewed how validity can be enhanced and assessed.

2.8.1 Questions asked and constructs used

- Which activity based constructs can be identified as representative of the concept "entrepreneurial"?
- Which of these constructs are indicative of creativity and innovation?
- Can certain constructs be identified as uniquely delimited to the entrepreneurial domain, whilst simultaneously indicative of creativity and innovation?

2.8.2 Texts to be examined

An exploratory literature study of entrepreneurship was done in order to establish what it is, how it is defined and how creativity and innovation are linked to it. In this process various definitions from a variety of sources in the field of small business and entrepreneurship were used, including encyclopaedias, dictionaries, books and periodical articles.

This literature study guided the development of "units of analysis" to be used in the quantitative content analysis of the definitions of entrepreneurship.

2.8.3 Units of analysis

The key concepts identified in section 2.5 were analysed to ensure clear definition and mutual exclusiveness. In analysing these constructs it was decided to use the following for the investigation:

- *Venture creation* – the establishment of a new business unit/bringing the production factors together and managing it
- *Opportunity exploitation* – looking for possibilities in terms of the commercial exploitation of some new product, process, market, material, or organisation (including the "discovery" thereof) and the acceptance of uncommonly high risk from the potential losses or failure of the above opportunity as well as the intent to realise high levels of growth and/or profit through the opportunity, and
- *Venture growth maximisation* – An entrepreneurial venture is one that constantly seeks growth, innovation and has strategic objectives. If it engages in at least one of Schumpeter's four categories of behaviour, namely principal goals of profitability, growth, innovation and change (creative destruction), it is included.

Opportunity finding and exploitation was treated as one stemming from the reasoning that an opportunity that has not been found cannot be exploited. Furthermore,

an opportunity found and not utilised/exploited/implemented would result in no advantages. Opportunity finding should therefore not be regarded as apart from opportunity exploitation. Risk bearing was evaluated as being inherent to opportunity exploitation and therefore not seen as exclusive. Concepts that overlapped with the management sciences were deliberately excluded.

2.8.4 Recording

Recording is one of the methodological problems of content analysis. One cannot analyse what is not suitably recorded and one cannot expect that source material comes cast in the formal terms of a data language. The problem of defining the operational meanings of the categories of an analysis is the principal focus in recording (Krippendorf 1980:59).

A category is a classification of concepts and a system of measurement. The categories are usually derived from objectives, research questions, hypothesis, or key concepts of the study in order to analyse what the content of communication tells. For the sake of consistency and accuracy, coding categories should be mutually exclusive, and each category should be clearly defined (Gallagher *et al.* 2000:5).

2.8.5 Data Collection

Various key definitions of the concept “entrepreneurship” as found in the literature study were analysed against key concepts identified, namely “business creation”, “opportunity exploitation” and “business growth maximisation”.

Table 2.3: Content analysis of definitions of entrepreneurship

	Venture creation	Opportunity exploitation	Venture growth maximisation (profits)
Cantillon (1725) Person bearing the risks of profit (loss) in a fixed-price contract with government.	X	√	√
Say (1803) Say included the concept of bringing the factors of production together. Say separated profits directly linked to	√	X	√

	Venture creation	Opportunity exploitation	Venture growth maximisation (profits)
the entrepreneur from profits of capital.			
Edgeworth (1845) The entrepreneur is a coordinator and middleman that never disappears, even in general equilibrium.	X	√	X
Walker (1876) Distinguished between suppliers of funds receiving interest and those who received profit from managerial capabilities.	X	X	√
Schumpeter (1934) Entrepreneurs innovate and develop untried technology. The role of the entrepreneur in creating and responding to economic discontinuities was emphasised.	X	√	X
McClelland (1961) Entrepreneur is an energetic moderate risk taker.	X	√	X
Drucker (1964) Entrepreneurs maximise opportunities.	X	√	√
Cole (1968) Entrepreneurship is the purposeful activity to initiate, maintain and develop a profit-oriented business.	√	√	√
Shapiro (1975) Entrepreneurs take initiative, organise some social and economic mechanisms and accept risks of failure.	X	√	√
Carland (1984) An entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth. The entrepreneur is characterised by innovative behaviour and will employ strategic management practices in the business.	√	√	√
Gartner (1985) Entrepreneurship is the creation of new organisations.	√	X	X
Hisrich (1985) Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial psy-	X	√	√

	Venture creation	Opportunity exploitation	Venture growth maximisation (profits)
chological and social risks and receiving the resulting rewards of monetary and personal satisfaction.			
Kao (1991) Entrepreneurship is an attempt to create value through recognition of business opportunities.	X	√	√
Dollinger (1995) Entrepreneurship is the creation of an innovative economic organisation (or network of organisations) for the purpose of gain or growth under conditions of risk and uncertainty.	√	√	√
Timmons (1999) Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach and leadership balanced.	X	√	X
TOTAL	5	12	8

The analysis of the entrepreneurship literature pointed towards three constructs as core constructs of entrepreneurship, namely business creation, opportunity exploitation and business growth. The content analysis of the fifteen (15) definitions of entrepreneurship resulted in a majority (12 out of 15) that recognised opportunity exploitation as a key ingredient of entrepreneurship. The fact that less than half of the definitions referred to venture creation could perhaps be regarded as confirmation that there is conceptual agreement amongst researchers that entrepreneurship does not end with venture creation. Furthermore it could perhaps be deduced that opportunity exploitation is seen as key (or inherent to) to venture growth maximisation.

2.9 Testing the results of the content analysis quantitatively

In conclusion the ABI/INFORM (Proquest 2002) database of periodical article titles, citations and abstracts on small business and entrepreneurship was searched to confirm the entrepreneurship domain's acceptance of the conceptual relationship between "entrepreneurship, "opportunity exploitation" and "business creation". The database houses 1832 business related titles. The current (1999-current) files as well as the back files (1986-1998) of the database were searched.

Since it was indicated in Chapter 1, the Introduction, that the conceptual relationship of entrepreneurship with innovation was more established and a search of the database indicated only 3976 articles on “entrepreneurship” versus 10 000 on “innovation” the question arose which one of the two terms was the dominant term. Could the mere number of articles indicate that “innovation” was dominant or could reasoning be followed?

The reasoning was as follows:

- The number of articles was not an indication of dominance, or subagency but rather the popularity of the concept for research purposes.
- Entrepreneurship is more than innovation but innovation is critical for entrepreneurship to take place, therefore there should be a measure of similarity in the linkages of entrepreneurship and innovation with opportunity finding/exploitation and business creation.

Table 2.4: Search terms linked with referential units

Search Term	Total Hits	Percentage
Entrepreneurship AND Opportunity finding	28	0.7%
Entrepreneurship AND Opportunity Exploitation	156	3.9%
Entrepreneurship AND business creation	58	1.5%
Other	3734	93.9%
TOTAL: ENTREPRENEURSHIP	3976	100%

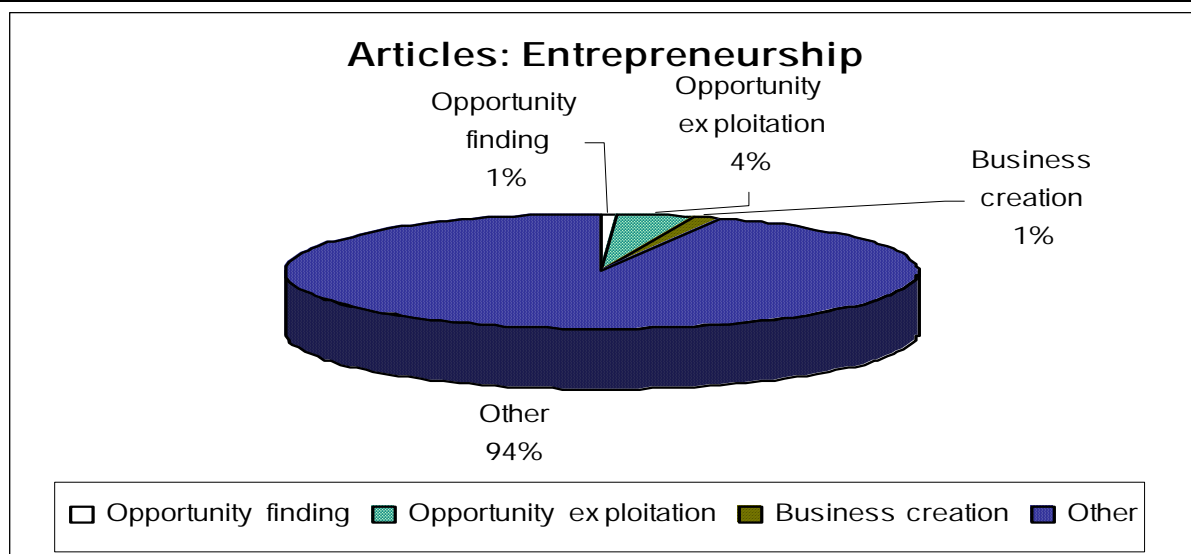


Figure 2.2: Articles in the Proquest database (2002) on Entrepreneurship containing “op-

portunity finding”, “opportunity exploitation” and “business creation”

Table 2.5: “Innovation” as search term linked with referential units “opportunity finding” and “opportunity exploitation”

Search term	Total Hits	Percentage
Innovation AND opportunity finding	767	7.06%
Innovation AND Opportunity exploitation	96	0.88%
(Other) Innovation	10 000	92%
TOTAL	10 863	100%

The following pointers became evident:

- The content analysis of the definitions of entrepreneurship in subsection 2.8.5 identified opportunity exploitation as the most used ancillary concept with business creation second. The content analysis of the references in the Proquest database confirmed this order of priority,
- “Opportunity finding” is associated more with “innovation” than with “entrepreneurship”, and
- “Opportunity exploitation” is associated more with “entrepreneurship” than with “innovation” (156 hits versus the 96 hits of “innovation AND opportunity exploitation”).

The above indicates that “entrepreneurship” is associated with “opportunity exploitation” (3.9%) to a larger extent than “innovation” (0.88%). This could be confirmation of the supposition that entrepreneurship is more than (and inclusive of) innovation in the same way than opportunity exploitation is more than (and inclusive of) opportunity finding – see reasoning in Units of analysis, point 2.8.3.

2.10 Chapter Conclusion

Against the background of the fact that the science of entrepreneurship is now moving beyond characteristics towards the behavioural phase concentrating not on the personalities entrepreneurs have, but on the activities they engage in (Timmons 1999:221), it will be necessary to focus further on the processes underlying the “ac-

tivity-based” concepts in order to reach more clarity on creativity and innovation in the entrepreneurship domain. In this regard “business growth” was regarded as an output/result of, inter alia, “opportunity exploitation” and not a task/activity. The fact that “opportunity finding” was also identified as an ancillary concept to “innovation” led to the conclusion that the unique combination of “entrepreneurship” with creative activities should be pursued in the term “opportunity exploitation”.

Morris and Jones (1999:73) indicate that the entrepreneurial process has attitudinal and behavioural components. Underlying these entrepreneurial attitudes and behaviours are three key dimensions: innovativeness, risk taking and pro-activeness. As already indicated in the introductory chapter, self-efficacy i.e., the belief that one can successfully organise and execute courses of action required to attain designated types of performance may be key to the implementation of the three key concepts, since there is some evidence that there is not only a positive relationship between self-efficacy and behaviour but that this relationship is causal in nature (Bandura 1978:43).

The conceptual relationships of “creativity”, “innovation”, and “entrepreneurship” with “opportunity exploitation” will be investigated further in the following two chapters on the entrepreneurial process and creativity.