

Social Sciences Perspectives on Entrepreneurship

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Abstract

The social sciences can provide new and fresh ideas about the theory and practice of entrepreneurship. The concept of entrepreneurship is multidimensional. Various scholars have focused on different aspects of entrepreneurship. Their perspectives are different from each other. Schumpeter, McClelland, Weber, Hoselitz, Cochran and Young, these are some of the Scholars who have expressed their views on entrepreneurship. An attempt has been made in this paper to discuss the views expressed by the above mentioned scholars.

Keywords: Social sciences, Perspectives, Entrepreneurship.

Introduction

The social sciences have been making a very important contribution to make not only to the theoretical understanding of entrepreneurship but also to entrepreneurship as a practical enterprise. The social sciences can provide new and fresh ideas about the theory and practice of entrepreneurship, by looking at innovative business behaviour in other times, in other societies and in other cultures and also by looking at entrepreneurship from novel angles and from the perspective of a much wider range of actors than is commonly done (Swedberg 2000).

Entrepreneurial fervor in the 1980s 'became a worldwide movement, spreading across countries, regardless of their level of development or even of their basic mentality or value orientation towards business activities. Carlos Jarillo and Howard Stevenson argue that while the social sciences can help to explain the causes of entrepreneurship (Why?) and its effects (What?), they have nothing to contribute to the understanding of entrepreneurial behaviour ('how') (Swedberg 2000).

A number of social scientists have contended that entrepreneurship is a key variable that links the socio-cultural milieu with the rate of economic development (Deshpande 1982). Discussions of the requisites of economic development have been concerned with the relative importance of the appropriate economic conditions, rather than the presumed effects on varying rates of economic growth of diverse value systems. Much of the analysis that originates from economic thought has tended to visualise value orientations as derivative from economic factors. Most sociological analysts, on the other hand, following the tradition of Max Weber, have placed a major independent emphasis on the effective values in fostering economic development (Lipset 2000).

Many economists now discuss the role of social factors in economic growth, and some have gone to the extent of including concepts developed in the discipline of Sociology, and Social Psychology into their overall analysis (Lipset 2000).

Albert Hirschman and Alexander Gerschenkron tend to downplay the significance of entrepreneurship, arguing that if economic conditions are not favourable, entrepreneurship will not emerge and societies will continue to remain stagnant. But once economic opportunity conditions are in place, economists argue, entrepreneurs will make their presence felt and serve, analogous to an electric system, as a sort of conductor by means of which energy is transmitted from one point to another. In a second analogy, one borrowed from the process of spontaneous combustion, entrepreneurs are seen as catalysts "providing the spark" for economic development. By extension, economic determinists typically see all individual and social expressions, including values, beliefs, and consciousness in general, as functions of external forces among which those of the economy figure prominently.

David McClelland has been able to identify psychological factors undergirding entrepreneurship. According to Berger different individuals possess different drives and motivations in different degrees. Most likely these differences result from the complex processes of socialisation in which psychological, even genetic factors interact in a variety of ways with those of family and social class. However, it is important to keep in mind that it requires cultural conditions to give form and direction to individual potentials. In one type of culture, individuals measuring high on the entrepreneurial motivation scale may become successful business men, and in another type, they may invent a new twist in the ritual of Shamanism. In either case, it is the culture that serves as the conductor, and the entrepreneur is the catalyst (Berger 1991). A thesis developed by Max Weber is that, given the economic conditions for the emergence of a system of rational accumulation of capital, whether or not such growth occurred in a systematic fashion would be determined by the values present. Structural conditions make development possible; cultural factors determine whether the possibility becomes an actuality. Weber proved that capitalism and industrialisation emerged in Western Europe and North America because value elements

inherent in or derivative from the “Protestant Ethic” fostered the necessary kinds of behaviour by those who had access to capital, while conversely during other periods in other cultures, the social and religious “ethics” inhibited a systematic rational emphasis on growth (Lipset 2000).

The general Weberian approach has been applied to many of the contemporary underdeveloped countries. It has been argued that these countries not only lack the economic prerequisites for growth, but that many of them preserve values which foster behaviour antithetical to the systematic accumulation of capital (Lipset 2000).

As it has already been mentioned earlier that the concept of entrepreneurship is multidimensional. Various scholars have focused on different aspects of entrepreneurship. Their perspectives are different from each other. Schumpeter, McClelland, Weber, Hoselitz, Cochran and Young, these are some of the Scholars who have expressed their views on entrepreneurship and their views have been briefly elaborated below.

Economic Perspective on Entrepreneurship

Joseph Schumpeter’s theory of entrepreneurship is a part of an attempt to construct a whole new type of economic theory, which was complementary to Walras’ theory of static economy. Schumpeter’s ideas about how best to study entrepreneurship changed considerably over a period of time and that his approach is interdisciplinary in nature or more precisely, he looked at different aspects of entrepreneurship during different periods of his life. Despite his versatility and multi-disciplinary approach, Schumpeter never produced concrete guidelines for how the entrepreneur should behave (Swedberg 2000).

Schumpeter (1911) had developed his theory of entrepreneurship in his book, “The theory of Economic Development”. He argued at length that all important changes in the economy are introduced by the entrepreneur and that these changes slowly work themselves through the economic system, in the form of a business cycle. According to Schumpeter, entrepreneur is a change agent. Schumpeter also suggested that his idea of internally generated change, as opposed to change induced from the outside, was not only applicable to economic phenomena, but also to all social phenomena (Swedberg 2000).

In the second edition of the theory of Economic Development (1934), he went on to say that entrepreneurship can be defined as the making of a new combination of already existing materials and forces and that entrepreneurship consists of making innovations, as opposed to inventions and that no one is an entrepreneur for ever, he continues to be an entrepreneur only when he or she is actually doing the innovative activity (Deshpande 1982).

Schumpeter presented three key typologies for entrepreneurship. The first typology is related with entrepreneurial behaviour. Which is, first, the introduction of a new good, and second, the introduction of a new method of production, third, the opening of a new market, fourth, the conquest of a new source of supply of raw material and Fifth, the creation of a new organisation of an industry (Swedberg 2000). According to Schumpeter development is not an automatic or a spontaneous process, but it must be deliberately and actively promoted by some agencies within the system. Schumpeter, called the agent who initiates the above changes as an ‘entrepreneur’. He is the agent who provides economic leadership that changes the initial conditions of the economy and causes discontinuous dynamic changes. By nature, he is neither technician, nor a financier, but he is considered as an ‘innovator’ (Deshpande 1982).

Schumpeter does not speak of innovations in the organisational structure of firms, but only of innovations in the organisational structure of industries (Swedberg 2000).

Psychological Perspective on Entrepreneurship:

David McClelland more explicitly emphasised the need for achievement orientation as the most directly relevant factor for explaining economic growth. Persons with high achievement would take moderate risk. They would not behave traditionally (no risk), as they are not likely to get any satisfaction from the accomplishment of the task, nor like gamblers (extreme risk), when the probability of failure and personal dissatisfaction is more. The high achievement motivation is more likely to be associated with better performance at tasks which require some imagination, mental manipulation or putting things together. This generalisation tends to support the hypothesis that persons with high n Achievement tend to do better than persons with low n Achievement only at non-routine tasks which require some degree of personal initiative, or even inventiveness (McClelland 1976).

According to McClelland, people with high n Achievement are not influenced much by monetary rewards, they are interested in achievement. People with low n Achievement, on the other hand, are influenced by money and can be made to work harder for money.

A society with a generally high level of n Achievement Motivation will produce more energetic persons who, in turn, will bring about rapid economic development.

McClelland ascribed the inculcation of the achievement motive to child rearing practices which stress standards of excellence, maternal warmth, self-reliance, training and low father dominance

McClelland has postulated characteristics of entrepreneurship in the following sequence :

I Entrepreneurial Role Behaviour :

- a) Moderate risk taking as a skill, not chance; decisiveness;
- b) Energetic and novel instrumental activities;
- c) Individual responsibility;
- d) Knowledge of results of decisions- money as a measure of results;
- e) Anticipated future possibilities and
- f) Organisational skills.

II Interest in Entrepreneurial Occupations As a Function of Their Prestige and 'risk'.

III Entrepreneurial Status In Various countries :

- a) Contrasted with other occupational statuses and
- b) Differentiated by entrepreneurial success (McClelland 1976).

Thus, according to McClelland, an achievement motivation is a major psychological dimension, which is equally important in the development of entrepreneurship. Sociological Perspective on Entrepreneurship:

Max Weber, the outstanding analyst of the independent significance of religion in the encouragement of rational economic activity, argued that the theme of this worldly asceticism developed so highly in Protestantism and especially Calvinism encouraged man to value highly the rational and methodical mastery of the social, cultural and in particular the economic environment (Smelser 1962). A certain form of Calvinism and some Ascetic Christian Sects during the Sixteenth and Seventeenth Centuries started a reaction within Christianity which inadvertently, changed the attitude of the people to business and industry, first among the believers and later in the society at large (Swedberg 2000). However, the great oriental religions especially the Classical Chinese and the Classical Indian did not, on the other hand, offer such an encouraging cultural framework for the rational pursuit of economic gains (Smelser 1962).

Max Weber extended his analysis to the Indian Society. According to him, "Spirit of capitalism", was absent in religious belief system of Hinduism. The Weberian approach presumes that (a) there is a single system of Hindu Values, (b) that the Indian community internalised those values and translated them into day-to-day behaviour and (c) these values remained immune to and insulated against external pressures and change. A number of Social Scientists from the West supported this theory. The Hindu ethical ideas are directed more towards the individual rather than the Hindu society at large (Deshpande 1982).

Hoselitz Bert (1960) in his book 'Sociological Aspects of Economic Growth' divided the functions of businessman into three parts.

- 1] The capitalist, who supplies financial assistance and other non-human resources for the enterprise,
- 2] The manager, who supervises and co-ordinates productive activities and
- 3] The entrepreneur, who is the planner, is a man of ideas and maker of final decisions in a productive enterprise (Hoselitz 1960).

Hoselitz has stated that to succeed in becoming an industrial entrepreneur, a person must have additional traits of personality. First, he must have the ability to manage. He must know how to lead them to accomplish what they want. According to him, the small trader or money lender can operate with few or no assistants, but an industrial entrepreneur must hire a group of men, organise them and direct them. According to Hoselitz, managerial skills and leadership qualities are the important aspects of entrepreneurship (Hoselitz 1960).

He visualises three types of business leaders who are important in the economic development of the less developed countries. Each of these three types has a certain kind of a personality and each has a particular role to be played in the society of the developing countries. These are the managers, the entrepreneurs and the money lenders or the merchants (Hoselitz: 1960).

According to Hoselitz, to encourage a spirit of enterprise, social institutions need to be established which make possible independent individual enterprises and at the same time allow the development of personalities, suited to productivity, working and creativity (Hoselitz: 1960). The political acts are also important for the development of personalities associated with industrial entrepreneurs. A person's character is determined to a large extent by biological needs and the early social contacts during infancy and childhood. But the objective external conditions, the social structure and political framework of a society also determine the specific actions or behaviour of a person.

Thomas Cochran has formulated a sociological theory of entrepreneurial supply. The key elements in his system are cultural values, role expectations, and social sanctions. Entrepreneurs are not viewed as being supernormal individuals, but rather as representing society's modal personality. This modal personality is shaped by prevailing child rearing practices and schooling common to the culture. The individual's performance as a businessman will be influenced by three factors, 1) His own attitudes towards his occupation, 2) The role expectations held by sanctioning groups and 3) The operational requirements of the job. Society's values are the most important determinants of the first two factors (Kilby 1971).

Frank Young has also formulated a sociological theory of entrepreneurship. Frank Young is not ready to accept

the entrepreneurial characteristics at the individual level. According to him, instead of individuals one must find clusters which may qualify themselves as entrepreneurial groups, as the groups with higher differentiation have the capacity to react. He defined 'reactiveness' or 'solidarity' as the degree to which the members of the group create, maintain and project a coherent definition of their situation. And 'differentiation' is defined as the diversity, as opposed to coherence, of the social meanings maintained by the group. When a group has a higher degree of institutional and occupational diversity, relative to its acceptance, it tends to intensify its internal communication which gives rise to a unified definition of the situation (Deshpande 1982).

Young has not come out with a new definition of entrepreneur as that of an innovator. He interprets the individual level of entrepreneurial characteristics as the 'underside' of a group level pattern. The entrepreneur does not work single handedly, though it is the most visible hand. Young maintains that entrepreneurial activity is generated by the particular family backgrounds, experiences, as a member of certain kind of groups and as a reflection of general cultural values. These personality characteristics are the forceful reflections of these antecedent conditions and these constitute an independent factor which mediates between structural factors and consequent economic growth (Deshpande:1982).

Young is solely concerned with inter group relations. Young's theory is a theory of change based on society's incorporation of reactive subgroups. A group will become reactive in Young's schema, when three conditions coincide, 1) a group is experiencing low status recognition, 2) denial of access to important social networks and 3) it possesses a greater range of institutional resources than other groups in society at the same system level (Kilby 1977).

Thus it can be argued that different scholars have focused on different aspects of the concept of entrepreneurship in the development of their own perspective.

Conclusion

It is seen from the foregoing discussion that entrepreneurship is a multidisciplinary concept. These scholars have focused on various personality traits, different drives, motives, internalisation of some values which are important for the promotion of entrepreneurship. As Schumpeter focused on the innovative quality of an entrepreneur. David McClelland focused on Need for achievement motive of the personality. A well known sociologist Max Weber focused on the values which are imbibed in the process of socialisation of any society. Hoselitz focused on the additional personality traits, skills which are important for the development of personality. And finally Frank Young has not accepted the entrepreneurial characteristics at the individual level. Different social scientist focused on different aspects of entrepreneurship that could be developed among individuals to become as a successful entrepreneur. And inculcation of these aspects in the individual depends to a large extent on the upbringing, socialisation, culture and particular religious beliefs. Thus in a nutshell, it can be summarised that all the perspectives discussed above are mutually exclusive, not inclusive.

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