

## CHAPTER 14

### INTERDISCIPLINARY DIMENSION OF ENTREPRENEURSHIP

#### Introduction

Contemporary enterprise theory does not explain its nature solely by means of economics theory but on analysing the issue also theories linked to psychology and sociology are employed. It should be emphasised though that none of the aforementioned disciplines have come up with a coherent definition of entrepreneurship. Hence, one may state beyond any doubt that enterprise is one of the most inscrutable issues both in terms of economics, sociology as well as psychology.

Bearing in mind the above property, the following paper will constitute an attempt to analyse the most important theories of entrepreneurship in the light of economics, psychology and sociology, thus presenting its interdisciplinary dimension.

#### Enterprise in the theory of economics

Economics theory views enterprise mainly as a process of creation of a company by a given individual. Numerous researchers describe the process as an activity based on an innovative idea, motivation and creativity of an entrepreneur.

The first to mention enterprise was an economist **R. Cantillon**. Published 20 years after his death, *Essay on the nature of trade in general* provided fairly precise descriptions of entrepreneurial behaviours and profiled an entrepreneur. Cantillon described an entrepreneur as a human being that makes advantage of discrepancy between supply and demand on the market of goods and services. Entrepreneurship was defined as human capacity to recognize opportunities created by market imbalance with an aim to generate the biggest profit possible. In his *Essay* Cantillon suggested that entrepreneurs should buy goods where it was cheaper and sell them where it was the most expensive. The author did so resorting to analysis of markets in the city and in rural areas. He advocated buying relatively cheaper goods on small markets, at a distance from metropolis and later selling them on city markets (Higgs, 1959).

**J. Say**, perceived by some economists as a forerunner of enterprise theory and of an entrepreneur, is another well known figure worth mentioning. Say defined entrepreneurship as a capacity to shift economic resources from the area of lower efficiency and lower level of profitability to a higher area. This was said to be possible due to activity of an entrepreneur who was knowledgeable and skilled in terms of management and production process organization. Moreover, the entrepreneur would be a person to create the company or merely to fulfil managerial function - in both cases, it was a matter of making advantage of opportunities and possibilities randomly emerging in the market (Say, 1960).

Say was the first economist to underline a distinct role of an entrepreneur emphasizing their significance as an owner, organizer and manager of a company. Simultaneously, Say viewed entrepreneur as a factor to unite all production elements i.e. work, land, capital and to determine the course of processing and distribution of goods. Defined by Cantillon, functions of an entrepreneur were further developed by Say – the latter underlined a fairly high position of an entrepreneurial individual in a society. According to him, the individual was not only a stimulus of their own enterprise but also a stimulus to condition and set directions to the de-

velopment of the whole economy.

Another economist worth referring to is **J. Mill**. In his *Principles of Political Economy: with some of their applications to social philosophy* he continued deliberations of his predecessors related to entrepreneurship. He perceived an entrepreneur on two levels: as an owner-capitalist and as a manager hired and paid by the capitalist (Mill, 1965). In his opinion the nature of entrepreneurship was best embodied in the position of a factory manager who is able to organize the production process much better than the owner. This is particularly important in case of a developing business as the growth process of an economic entity requires specialized managers with appropriate knowledge and experience. Unlike the company manager, the owner – capitalist was not able, according to Mill, to manage and expand the company as this organisational and technological unit would become ever more complicated. The author also underlined differences in taking and overcoming risks by the aforementioned individuals. In his opinion the manager operates in more stable and less failure-prone environment than the owner-capitalist. It enables more careful, conservative and more effective actions aimed at gaining benefits and profits. Similarly to previous enterprise theorists, Mill identified profit as payment for creative activity of the factory manager or the owner.

Next economist to be presented here is **J. Schumpeter**, who contributed to the economic thought achievements with new definition of an entrepreneur and entrepreneurship. He argued that entrepreneur was a link between creative activity, consisting in creating concepts of new things, and the activity of managing the processes of production and sales (Schumpeter, 1960). Schumpeter described entrepreneurship as actions of an individual consisting in application of innovative undertakings mentioned above – the undertakings being based mainly on discovering better ways to satisfy society's needs (Schumpeter, 1950). The nature of applied innovations was then precisely defined with a reservation that these could not be minor, adaptive changes, hardly contributing to the production process and possible to be introduced by any given individual (Kwiatkowski, 1990). The innovations should be purposeful, practical (Baruk, 2005), out of routine and should function as radical modification of processes applied until then (Schumpeter, 1960). Moreover, they should be based on knowledge of technology, economics, sociology and psychology as well as should bring certain benefits to the society and the economy. Innovations could only be carried out by an entrepreneur, regarded by Schumpeter as the main source of dynamism to the economy. Entrepreneur in a given economic system, he stated, had to be a creative individual, constantly proving to be resourceful and had to introduce new solutions to overcome the surrounding uncertainty.

Subsequent researchers also regarded entrepreneur and entrepreneurship as bound to a human being that should motivate and inspire others to action. Contemporary theorists frequently refer to enterprise as the main determinant of economic growth (Baumol, 1968).

### **Psychology in entrepreneurship**

Psychology most frequently defines entrepreneurship as an attitude or behaviour of an individual apt to take new challenges, to improve the existing conditions and create new reality (Siekierski, 2003). Such perception of entrepreneurship is based mainly on properties of an individual, particularly on:

1. a need to achieve motivation,
2. intrinsic sense of control,
3. risk taking capacity,
4. personal features of an individual (Smith – Hunter, 2003).

One of the first psychological researches into entrepreneurship were initiated in the second half of the 20<sup>th</sup> century by **McClelland, Atkinson and Feather** (McClelland, 1987). Their work focused on explaining motivation of the society and particular individuals to

achieve the best outcome possible. The first analysed motivation on a macropsychological scale making reference to the whole society whereas Atkinson and Feather examined the issue in a micropsychological perspective.

McClelland distinguished factors thanks to which a given community achieves the highest level of motivation i.e. responsibility for future effects, transparency of the outcomes and feasibility of tasks undertaken - the tasks being necessarily moderately difficult to perform.

On the basis of his research, McClelland formulated a thesis that economic development of a country depended on motivation of a given society to achieve success. The more intensive it was particularly among resourceful individuals and those involved in business, the faster the pace of economic growth.

Atkinson and Feather examined attaining motivation by an individual with regard to their personal predisposition, skills and capacity to achieve success as well as individual perception of possibilities to carry out particular tasks (Zenzen, 2002). They came up with a function of motivation expressing its value as a correlation and interdependencies between motive, success expectancy and impulse to act:

$$\text{Motivation} = f(\text{Motive} * \text{Expectancy} * \text{Impulse}) \text{ (Atkinson, 1966)}$$

According to psychologists, individual's entrepreneurship depended to a highest degree on likelihood of success – the more probable it was to cash a profit the less motivated an individual was to act upon it. This dependency resulted from individualism of an entrepreneur. Having realised that success was relatively easy to attain, entrepreneur's interest in the matter would drop as their undertakings were aimed above all at uniqueness and originality and not at their popularisation and imitation.

Another theory to tackle determinants of entrepreneurial behaviours is the locus of control theory created by **Rotter** (Rotter 1996). He analysed factors affecting individuals and resulting in their successes or failures. His theories were based on two types of sense of control, first being cognitive capacity of an individual and second a personality trait (Najmiec, Mielczarek, 2003). Rotter moved then to distinguish the following groups of entrepreneurial persons: ones with internal and external sense of control. According to him, the former viewed the source of their behaviour reflected in their own actions whereas the latter perceived their actions reflected in the environment.

One of the most significant research questions in psychological analysis of entrepreneurship have been skills and capacity of an individual to take risks. Research conducted by psychologists have not revealed substantial differences of risk taking capacity between entrepreneurs and rest of the society (most analyses focused on discrepancies between entrepreneurs and managers) (Stewart, Roth, 2001). It does not mean however that those differences do not exist. According to psychologists, entrepreneurial individuals are characterized by greater creativity, motivation to act, behavioural confidence, responsibility for outcomes of one's own actions, as well as awareness of success and failure (Brandstatter, 1997).

Moreover, due to internal locus of control the individuals engage in those ventures in which they will be able to estimate precisely the so called risk heuristics of a given action. Psychologists distinguish 3 types of heuristics:

1. representativeness heuristics,
2. availability heuristics,
3. anchoring heuristics (Tyszka, 2004).

In the first an individual observes the situation and forms an opinion on it without resorting to any external information. The second consists in evaluation of the most conspicuous and expressive events. The last type is based on the earliest received information affecting

and determining evaluation of an entrepreneurial individual's actions. In effect, all further communications are most frequently rejected by this individual.

According to psychologists, the aforementioned skills differentiate entrepreneurs from other decision-makers. They become more responsible for choices they make, they learn from their own experience gathering information and knowledge on probability of a given task, being more confident and involved. This safeguards achieving success and obtaining satisfaction from completion of particular tasks in riskful environment.

Psychological approach to entrepreneurship may also assume its narrower meaning namely as a specific personality trait of a given individual that determines and directs actions of this individual. Nowadays, science more and more frequently resorts to analysis of how entrepreneurs' personality traits and their tempers influences their behaviour in aiming at completion of particular undertakings. There are 5 basic features of human character, necessary for actions of an entrepreneurial individual:

1. extroversion,
2. neuroticism,
3. agreeableness,
4. conscientiousness,
5. openness to new experiences (Costa, 1992).

The first type presents people who are optimistic and make friends easily. The second analyses individuals with rather frequent mood changeability. The third describes people who easily adapt to the society whereas the fourth focuses on obeying laws and regulations by active individuals. The last one, refers to human openness to knowledge resulting from experience and its further application to problem solving. Each of the personality traits influences the variety of entrepreneurial behaviours, and particularly their risk taking ability, sense of motivation and internal locus of control (Johnson, 2001).

### **Sociological aspect of entrepreneurship**

Research on the nature of enterprise have also become a part of sociological sciences. It was mainly perceived in terms of cultural conditioning specific to a given community. Sociologists identified culture with life styles of social groups or with interrelations of their particular members. Culture was also defined as a system of mutual communication in a particular group and interactions between individuals that constituted it (Filipiak, 1999). As asserted by the sociologists, owing to the culture people were able to create their own system of trust and mutual communication. Coexistence of those properties resulted in emergence of a new culture where the society was encouraged to undertake entrepreneurial activities.

Influence of culture on conditioning of entrepreneurship was first researched by **M. Weber** at the beginning of 20<sup>th</sup> century. In his work *The Protestant Ethic and the Spirit of Capitalism* (Weber, 1958). Weber defined basic relations between Protestant ethics and development of capitalistic entrepreneurship. He argued that the spirit of Protestant culture affected individual personality traits of an entrepreneurial person thus providing them with motivation to creative and innovative activities.

Weber's deliberations were based on Calvinistic doctrine the central motive of which were concepts of human fate and salvation. According to those, God created human beings already predestined to salvation or damnation. Through good deeds a person proved themselves to belong to the chosen ones – otherwise to the damned. It is worth remarking at this point that Protestant followers are honest, modest, reliable, industrious, ascetic and virtuous. They do not waste time on futile activities, do not buy unnecessary items limiting themselves to buying only the most basic and indispensable ones. They are not likely to break agreements or not to keep once given word as they believe their work to be vocation to mundane salva-

tion. Such attitude favours capital accumulation and this caused the Protestants to fear that they might not be granted sovereign grace. Hence, they started to believe that wealth is God's gift and as such should be continuously invested in (Weber, 1958). This way, new, capitalistic life style was formed based on motivation and self-control. It was reflected in hard and effective work of an individual with an aim to obtain salvation. This was accompanied by strong motivation to properly fulfil one's duties and achieve the best effects possible while being engaged in a continuous process of becoming richer which forced the individual at the same time to invest their capital in different ventures.

Weber popularised a thesis that any prosperity in business was a kind of God's grace. Success was mainly conditioned by a change in attitude towards work. Weber claimed that Calvinism brought about the transformation and change of approach to one's profession. Work was no longer treated as a means to survive and become richer but as a tool of salvation. Weber argued that cultural conditioning, in this case resulting from religious beliefs, was a source of success for an entrepreneurial individual. Moreover, he created an entrepreneur's paradigm of behaviour by employing Protestant cult of work, enrichment and savings. His postulate was that control over entrepreneurial activities was not based on legislative norms but on inner conviction resulting from faith dogma. Thus, each action and decision of an entrepreneurial person was in line with religious system as well as with individual interest of a human being striving towards salvation.

In years to come many researchers claimed that religion itself did not exert influence on the shape of culture that, in turn, determined entrepreneurship. The group of opponents comprised, among the others, **Hofstede**, who perceived culture as a constituent value of faith, norms and laws existing in a group of people or within a community (Hofstede, 2001). He described such collectiveness as common way of thinking and imitation of behavioural pattern by all its members. Actions of an individual that belonged to a given social group, according to Hofstede, depended mainly upon national, regional, ethical, religious or family-related values as well as on diversity of languages or gender. He recommended not treating culture as a process shaped by human genes but mainly as atmosphere conducive to entrepreneurship and created by local community. The approach associated culture with a prerequisite to individual's activity which in consequence led to a given community cultivate specific features of entrepreneurial activities. One may therefore speak of so called entrepreneurship culture which fulfils the following functions in a given society:

1. integrating,
2. motivating,
3. informative,
4. innovative (Ochojski, 2001).

The first is oriented towards cooperation of individuals which enables reducing costs of a given venture compared to what would need to be incurred by an individual acting alone. The second function consists in continuous motivation to seek opportunities and possibilities while solving existing problems as well as in striving to changes and success. Informative function fulfils the role of a messenger between particular individuals. It enables trust-building and eliminating potential conflicts in a given community. The nature of final function consists in numerous innovations being created and popularised in the course of activity.

## Conclusion

The above deliberations indicate that human being is an extremely important aspect of examining the nature of entrepreneurship in economics, psychology as well as sociology. Economists believed that it was a man to give sense to particular entrepreneurial activities the effect of which was to be, first of all, creation of a new market order reflected in emergence of

new products, new technological solutions or enterprises. Furthermore, they attached fairly high importance to rewarding an entrepreneur for this activity. They believed profit to be the main determinant of future entrepreneurial activities as well as calculable payment for identifying and making use of new market possibilities and opportunities.

Psychologists related entrepreneurship to behaviour of a human being. Apart from external factors, enterprise was mainly affected by internal properties and particularly by levels of motivation, creativity and ability to evaluate current situation. The factors determined creation and implementation of new ideas and projects. Moreover, they would contribute to creative properties of undertaken ventures thus ensuring their effectiveness and, in result, further development of an entrepreneurial individual.

Sociologists analysed the issue from cultural point of view to examine how it affected activity of an individual in a given community. They claimed that all signs of entrepreneurship were by necessity conditioned by cultural context and should not be examined outside of such context. They catalogued factors that determined the shape and nature of entrepreneurship culture i.e. trust, truthfulness, social activity, motivation, justice, cooperation need, and making continuous changes. In their opinion entrepreneurship culture ensured fuller recognition of the reality and was a carrier of innovation and changes in contemporary ever changing society.

All aforementioned sciences relating to entrepreneurship are conditional to a statement that the issue is beyond any doubt interdisciplinary in character with its binding element of an entrepreneur. It is the latter to determine impact and intensity of entrepreneurial activities as well as to define the development level of entrepreneurship both in the economy and in a given society.

## REFERENCES:

1. Atkinson J., Feather N., A theory of achievement motivation, Wiles and Son, New York 1966, pp.10-16.
2. Baruk J., Istota innowacji. Ewolucja systemów innowacyjnych [Nature of innovation. Evolution of innovative systems], Przegląd Organizacji 2005, no 1, p.12.
3. Baumol W. J., Entrepreneurship in economic theory, The American Economic Review 1968, Vol.58/2, p. 65.
4. Brandstatter H., Becoming an entrepreneur – a question of personality structure?, Journal of Economic Psychology 1997, Vol. 18, no 2, p.175.
5. Costa P. T., McCrae R. R., Four ways five factors are basic, Personality and Individual Differences, 1992, Vol.13, 655.
6. Filipiak M., Socjologia kultury. Zarys zagadnień [Culture sociology. An outline], UMCS Lublin, Lublin 1999, p.90.
7. Higgs H., Essay on the Nature of Trade in General Frank Cass and Company Ltd., London 1959, p. 6-7.
8. Hofstede G., Culture's consequences: Comparing values behaviors institutions and organizations across nations, Sage, Londyn 2001, p.370.
9. Johnson B.R, Toward a multidimensional model of entrepreneurship: The case of achievement motivation and the entrepreneur, Entrepreneurship Theory and Practice 2001, Vol. 14, p.39 – 54.
10. Kwiatkowski S., Innovative society, PWN, Warsaw 1990, p . 23.
11. McClelland D. C., Human motivation, Cambridge University Press, Cambridge 1987, p.132.

12. Mill J.S., *Zasady ekonomii politycznej i niektóre jej zastosowania do filozofii społecznej* [The Principles of Political Economy: with some of their applications to social philosophy], PWN, Warsaw 1965, p.166 – 169.
13. Najmiec A., Milczarek M., *Indywidualne uwarunkowania bezpiecznych zachowań pracowników* [Individual conditions of employees' safe behaviours] *Bezpieczeństwo pracy* 2003, Vol.3, p.6.
14. Noga A., *Przedsiębiorczość w biznesie* [Entrepreneurship in business], in: *Encyklopedia biznesu* [Business Encyclopedia], Fundacja Innowacja, Warsaw 1995, vol. I., p.689.
15. Ochojski A., *Kultura przedsiębiorczości jako czynnik rozwoju lokalnego* [Entrepreneurship culture as a factor of local development], in: *Przedsiębiorczość, samorządność, rozwój lokalny*, ed. Z. Barczyk, J. Biniecki, A. Ochojski, B. Szczupak, Akademia Ekonomiczna Katowice, Katowice 2001, p.52.
16. Rotter J. B., *Generalized expectancies for internal versus external control of reinforcement*, *Psychology Monographs* 1996, Vol. 86, p.32.
17. Say J. B., *Traktat o ekonomii politycznej, czyli prosty wykład sposobu, w jaki tworzą, rozdzielają i ożywiają bogactwa* [A Treatise on Political Economy, or the production, distribution and consumption of wealth], PWN, Warsaw 1960, p.11.
18. Schumpeter J. A., *Teoria rozwoju gospodarczego* [The Theory of Economic Development], PWN, Warsaw 1960, p.20, p.104.
19. Schumpeter J. A., *Capitalism, socialism and democracy*, Harper&Brothers, New York 1950, 3rd edition, p.132.
20. Siekierski J. , *Behawioralne aspekty zachowań aktywizujących w gospodarce rynkowej* [Behavioural aspects of dinamising behaviours in market economy], in: *Uwarunkowania organizacyjne i ekonomiczne w aktywizacji społeczno – gospodarczej. Wpływ integracji europejskiej na przemiany strukturalne obszarów o wysokim bezrobociu*, ed. L. Pałasz, Wydawnictwo Akademii Rolniczej w Szczecinie , Szczecin 2003, p.150.
21. Smith-Hunter A., Kapp J., Yonker V., *A psychological model of entrepreneurial behaviour*, *Journal of the Academy of Business and Economics* 2003, Vol. 2.(2), p.3.
22. Stewart W. H., Roth P. L., *Risk propensity differences between entrepreneurs and manager: a Meta-analytic review*, *Journal of Applied Psychology* 2001, p.152.
23. Tyszka T., *Psychologia ekonomiczna* [Economic psychology], Gdańskie Wydawnictwo Psychologiczne, Gdańsk 2004, p.310.
24. Weber M., *The Protestant Ethic the Spirit of Capitalism*, Unwin London, London 1958, p.65, p.145.
25. Zenzen T. G., *Achievement motivation*, University of Wisconsin – Scaout, Menomie 2002, p.12.