

## ENTREPRENEURSHIP AS DEVELOPMENT FACTOR

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### **Abstract**

*The economy, through its manifestation mode, generates a direct social impact. At the center of the socio-economic system are the entities that coexist and which have different roles from an economic point of view. An entrepreneur is an interesting entity from the perspective of the development potential of a community, economic field or business practice. The way in which entrepreneurship impacts the process of community's economic development is of a constant interest for theorists but also the practitioners in the economic field.*

*The concept of entrepreneurship was approached from two main perspectives: the perspective of the theories with direct incidence in the economic dimension and the theories with direct incidence in non-economic dimensions of the entrepreneurial behavior.*

*The present article aims to highlight entrepreneurship as a development factor, with the role of generating and multiplying the positive effects in the socio-economic level as well as in the good business practices. Development of a community, regardless of the reference system - local, regional, national etc. - depends on a dynamic induced by the quality, intensity and sustainability of the activities initiated and supported by entrepreneurs.*

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### **1. Introduction**

Human society is inherently concerned with development both quantitatively and qualitatively. From the perspective of the business idea that underlies the entrepreneurial initiative, the meme defined by Brodie [3] can be considered as that information from the mind of the entrepreneur who through the operationalization mode propagates in the collective mind or of a group of people with entrepreneurial skills.

The globalization process brings in the fore the need to preserve knowledge and the profit-generating ability at the level of entities with very precise economic identity. The entities through which knowledge and business models are preserved and developed are subsumed to the concept of entrepreneurship.

Research that highlights the impact of entrepreneurial activity on the economic development of a community or a geographical area of interest is relatively few and is based predominantly on empirical studies, difficult to generalize from the perspective of the conclusions drawn. In the studies dedicated to the field there is a generally accepted axiom that the entrepreneur is a direct beneficiary of the economic development and less a contributor to it [11].

This article aims to bring to the fore elements of the concepts of development and entrepreneurship from the perspective of the existence of a two-way relationship between them.

The term entrepreneur was introduced by Richard Cantillon around 1730, the meaning associated to it being that of an individual capable of taking the economic initiative in a favorable market context. The conceptual refinement of the notion of entrepreneur occurs simultaneously with the development of alternative theories to the economic theory that would underpin the emergence and manifestation of the entrepreneur and the introduction of a broader concept - entrepreneurship.

Currently this concept - entrepreneurship, is a seemingly diffuse one, given that there is no generally accepted definition of it. Studying the scientific papers that appeared in a period of 5 years, at the level of the 90s, at least 77 different definitions were identified for the notion of entrepreneurship and at least 90 different characteristics attributable to the concept of entrepreneur. A synthetic image of the main definitions generated by the researchers in the field allows the formulation of the entrepreneurial concept as follows [10]:

- Peter F. Drucker (1985): Entrepreneurship is an innovative act that involves the development of the resources available through means that ensure the generation of added value.
- William B. Gartner (1988): Entrepreneurship is the process by which organizations are generated.
- Jeffrey A. Timmons (1997): Entrepreneurship is a way of thinking, a form of reasoning and a mode of action, guided by opportunity in a holistic approach valued through leadership.
- Sankaran Venkataraman (1997): entrepreneurship is about how, by whom and with what consequences are discovered, created and exploited the opportunities through which the goods and services of novelty are operationalized.

An interesting element is the identification of entrepreneurship based on imitation. Entrepreneurship does not necessarily imply a radical innovation activity, but manifests itself, in most cases through an activity based on the imitation of a business model already validated [2].

From the point of view of the theories generated regarding the concept of entrepreneurship, it is necessary to mention the fact that, despite the fields of knowledge used as a framework of analysis, from economics to anthropology, depending on the dimension chosen as a reference, through an abrupt simplification we can say that entrepreneurship, as a concept, can be approached on two dimensions: the economic dimension and the non-economic dimension. Entrepreneurship as a concept cannot be defined without taking into account both the abovementioned dimensions because the action element through which the entrepreneur produces economic effects has springs that also comes from its non-economic dimension.

For a long period of time the concept of development was assimilated to the notion of economic growth. In the years 1950 - 1960, in the developed states, despite a manifest economic growth in the medium and long term, the standard of living of the population was not positively affected in a significant way. The growth of the Gross Domestic Product per capita, however, does not solve the problems related to the quality of life, when it is approached in non-economic terms such as: the quality of the environment, the level of education, the administrative capacity of the institutions and the resilience of them, respectively of the state, in crisis situations.

Accepting that the term economic development exceeds but includes the economic growth, it can be formulated as a matter of interest to identify a comprehensive definition of the term development in accordance with the historical time we are in. Such a concept was formulated in the Brundtland Commission Report in 1987. It introduces the concept of sustainable development that defines it as a process of change, generated by political will, through which the exploitation of resources, the orientation of investments, technological development and the changes at institutional level meet the basic needs in the future as well as at present [14].

The concept of development is a continuous process through which at societal level beneficial transformations take place in knowledge and in the interaction between the socio-economic actors. The frame of reference that this article proposes is represented by the connection of the concepts of entrepreneurship and development, highlighting the dual quality of entrepreneurship - contributor to development but also its beneficiary. This duality specific to entrepreneurship allows its identification as a development factor at societal level. The two qualities associated with entrepreneurship are not opposable nor in competition but they coexist simultaneously, the level of manifestation of each depending on the specific economic, political and social context.

## 2. Entrepreneurship – contributor or beneficiary of development?

The dual quality of entrepreneurship - a contributor and beneficiary in a process of development at societal level, involves analyzing the two key dimensions – economic and non-economic, through which entrepreneurship exists.

The entrepreneur as economic actor can generate added value by developing a lucrative activity on its own, regardless of the initial motivation: opportunity or necessity [11].

The entrepreneur, by combining the available means of production in an optimized, innovative or imitative way, on a window of opportunity, becomes an agent of changing the business model and implicitly of the field of activity.

Paradoxically, the ability to take risks and operate in uncertain conditions is not transferable in a high percentage in the real resilience of the company that values the initial business idea. An interesting observation from this point of view is the assertion that entrepreneurial initiatives, materialized in the form of the appearance of a large number of small and medium-sized companies, usually characterize suboptimal socio-economic contexts, in which the success rate in business is low, an aspect highlighted by: lack of positive results of the work performed over longer periods of time and a low ratio between the initial investments and the value of the work performed [13]. In the case of these suboptimal socio-economic contexts, the entrepreneur most often is positioned as the initiator of the change of economic practices that are outdated or inadequate to the political-economic model that is desired to be implemented. In such situations, entrepreneurship is a contributor to the development process, generating and validating over time business models and market mechanisms, generating prosperity.

The development appeals to respecting some basic principles, such as: meeting primary needs, generosity and solidarity with future generations, involving and actively participating in socio-economic processes, protecting the environment and wise management of natural resources, generating and using economics systems that provide economic utility to individuals, jobs, non-discriminatory access to education, health and safety [12].

The entrepreneurial predisposition depends on the development stage of society. If the opportunity can be exploited more easily by imitation than by innovation, there will be a predisposition for entrepreneurial initiatives based on imitation. In this case, entrepreneurship will be positioned and manifested mainly as a beneficiary of the existing development on geographical areas or in domains that have operationalized and validated in time the imitable business models. Locally, the entrepreneur is positioned as a contributor to development but if the reference is regional or global then the entrepreneur is certainly a beneficiary of manifest development on a larger scale. Such case is specific to developing countries, with economies and institutions undergoing a medium- and long-term structural transformation process.

In the case of mature markets and highly competitive economies, entrepreneurship tends to identify as being highly innovative. The highly innovative tendency of entrepreneurship specific to developed economies is often supported by the resources attracted from business angels. In both situations - developing economies or mature economies, entrepreneurship is found, in different and fluctuating proportions over time, as a beneficiary of the development and a contributor to it.

The connection between entrepreneurship and economic development is fully reflected in the concept of sustainable entrepreneurship. It is defined as that entrepreneurship that exploits and transforms market opportunities into long-term, persistent value-added elements, with economic and non-economic valence, which produce beneficial effects at both the individual and macroeconomic or societal levels [9].

Economic development can be considered as a result of investments made in the medium and long term for generating innovative ideas, for generating and transferring knowledge, for building infrastructure and for the environment protection [7].

The social dimension, mainly qualitative of the economic development, demands a balance between the quality of the human resource - structure, level of training, motivation - and the level of sophistication of the economic entities and public institutions with which it interacts. An

imbalance between the qualitative dimension of the human resource and the jobs in the market will lead to a suboptimal manifestation represented by the migration of the human resource after the opportunity. The same logic can be applied to public investments whose valorization cannot be done without the existence of companies or entrepreneurs that give them utility through the activities carried out [7].

The general socio-economic environment conditions the entrepreneurial behavior, the options of the entrepreneur and the intensity of his activities, depending on a number of factors such as: the regulatory framework established by the government institutions, the maturity of the market, the nature of the imbalances from the market, the intensity of competition between economic agents. Entrepreneurship can be characterized as a socio-economic phenomenon that also reflects the institutional characteristics of the society in which it manifests itself; entrepreneurship exceeds the strictly financial dimension specific to the activity carried out, acting as a facilitator of change, including at institutional level [11].

Entrepreneurship as an economic factor emphasizes the idea that entrepreneurship can be considered a new factor of production, different from the classical factors of production - land, labor, capital. The logic of the accreditation of entrepreneurship as a new factor of production lies in the fact that it produces an added value financially reflected at the level of the entrepreneur, given that, on a large scale, there is a deficit of entities - individuals or companies, which have the capacity to manifest themselves as successful entrepreneurs [6].

Entrepreneurship is presumed to be correlated with the positive direct and indirect effects it generates at the society level, the results of the entrepreneurial initiatives not negatively affecting the individual or macro-social welfare.

### **3. Entrepreneurship as development factor**

An integrative perspective on the concept of entrepreneurship is that in which it is analyzed as a factor of development. Such an outlook is feasible when the entrepreneurship, regardless of the entity that operationalizes the business idea, ensures or facilitates the following: identification or generation of business opportunities; the emergence of new economic entities or the reinvention of already existing ones for the lucrative exploitation of market opportunities; stimulating a socio-economic emulation that ensures a progress in knowledge and behavior at the level of market actors regarding the generation and administration of welfare at the societal level. The direct and indirect effects generated by socio-economic emulation, in the medium and long term, impact all the actors that act at the company level, regardless of their nature - private entities or public institutions.

The main limiting perspective on entrepreneurship and its role in development is generated by the idea that entrepreneurship predominantly manifests as a beneficiary of societal development. Complementary to this perspective, entrepreneurship can be directly associated only with the quantitative dimension of economic growth. It may formulate the idea that development is not strictly dependent on any entrepreneurial manifestation nor that between development and entrepreneurship there is a two-way relationship.

The entrepreneur, strictly from an economic perspective, can be an economic agent that either is passively enrolled in an existing economic flow, or can even impact negatively the economic growth through the induced imbalances [8].

The political factor is difficult to explain the purpose of the policies for promoting entrepreneurship, given that the small and medium-sized companies are rarely characterized by high productivity or robust resilience in the market. Moreover, the critics of entrepreneurship bring to the fore that the entrepreneurship favorable measures mean waste the financial resources because the small and medium-sized companies contribute insignificantly to the development although they are net beneficiaries of it [1].

The need for immediate financial results leads the entrepreneur to manifest itself rather imitatively, to generate few sustainable long-term jobs and to contribute insignificantly to economic growth, without really impacting the general socio-economic context.

Empirical studies particularize the quality of the entrepreneur as a contributor to the economic development in the case of the states with developed economies, but even in such situations, this quality of contributor is fluctuating in the conditions in which such economies have periods of economic stagnation or recession, characterized by a high rate of unemployment and the disappearance of a large number of small and medium-sized companies [4].

The sustainability associated with the concepts of entrepreneurship and development mainly concerns the qualitative aspects of the interaction between the economic and non-economic actors at the societal level.

Highlighting the two-way relationship between entrepreneurship and economic development implies accepting the existence of an apparent antagonism between the microeconomic and the macroeconomic dimensions. The microeconomic dimension reveals that small and medium-sized companies attract or make investments, are concerned to innovate, create jobs and take financial and reputational risks. From a macroeconomic perspective, the researchers claim the lack of consistency and the relatively insignificant impact of the entrepreneurial activities throughout the economic development. This paradox can be managed by the appropriate calibration of the economic growth thresholds from which the entrepreneurial initiatives can be considered having impact for the economic development or by accepting a model of analysis based on stages of development to which correspond various entrepreneurial manifestations.

Entrepreneurial activity is subject to the rules established by the government. These rules have two valences: a valence by which the consumer is protected from the possible harmful speculation of entrepreneurs and a valence by which the public interest is not manipulated by the political decision-makers in the favor of entrepreneurs. An over-regulation of the market can discourage the entrepreneurial initiative and can keep the growth rate of development at a low level [5].

The activity of the innovative entrepreneur in the market is made even with the devolution, at least partially, of the business model. The entrepreneur contributes to the development of the knowledge in the field, operating a business model in which the managerial innovation is enhanced by the technological one and vice versa. Thus, the business model generates relevant information about technical and financial issues and about best practices, thus facilitating the initiatives of other innovative or imitative entrepreneurs

In the case of entrepreneurial entities with a high resilience degree, the element of interest oscillates between the profitability and the quality dimension of the sustainable entrepreneurship. Practically, the intensity of the entrepreneurial activity and approaches varies cyclically with the economic development process and thresholds, as well as with the regulatory framework regarding socio-economic policies.

#### **4. Conclusions**

Sustainable entrepreneurship produces changes in the socio-economic behaviors of the entities involved in economic game.

Sustainable development concerns time horizons in which the economic dynamics are subject to cyclical evolutions and the entrepreneurship is reflected both quantitatively and qualitatively.

The aspect by which the entrepreneurship also qualifies as a contributor and beneficiary of the economic development lies in the fact that the exploitation of the opportunities noticed by the initial entrepreneur generates a socio-economic emulation that allows the subsequent materialization of other opportunities.

The entrepreneurship as a factor of development implies the acceptance of this two-way relationship between sustainable entrepreneurship and sustainable development and challenges us to figure out a model of entrepreneurial behavior that exceeds the quantitative dimension of the economic game.

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