Chapter 1

The Challenging Dynamics of Nascent Entrepreneurship

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ABSTRACT

Nascent entrepreneurship has long been studied from a variety of perspectives. A major stream of work by psychologists and sociologists suggests that nascent entrepreneurs have distinctive traits and competences. A second focus for research has been studying the environment in which nascent entrepreneurs operates. Recently, the identification and exploitation of entrepreneurial opportunities has emerged as a third focus. In this paper we will address the following questions: (1) what are the individual characteristics of those individuals who are attracted to becoming an entrepreneur? (2) What are the environmental factors contributing to new venture creation? (3) What are the steps in the creation process? We will attempt to answer these three questions by arguing that the central process of nascent entrepreneurship is centred on opportunity recognition, evaluation and exploitation, and influenced by contextual factors (e.g. external knowledge) and personal characteristics and competences (e.g. internal knowledge).

The ones who are crazy enough to think that they can change the world, are the ones who do. Steve Jobs, Apple co-founder

INTRODUCTION

Today, economic experts and national governments are abandoning their traditional approach to economic development based on recruiting large companies with different financial and fiscal inducements, rather they rely more on the small and medium-sized enterprises and new ventures to induce macro-economic

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growth (Tomaă, Grigorea, & Marinescua, 2014). This is due to the fact that entrepreneurship is more and more recognized throughout the world not only as “a good solution to creating jobs and enhancing per capita income growth” but also as “a key mechanism for enhancing economic development” (Shane, 2005, p. 1), and as primary driver of industrial dynamism and economic growth. Shane and Venkataraman (2000) further explain this causal relationship by providing compelling evidence that economic growth occurs as a direct result of the involvement of profit-seeking and innovation-focused entrepreneurs.

Entrepreneurship has been traditionally associated to the creation of organizations (Gartner, 1989). Thus ‘entrepreneur’ can be defined by a set of personality traits and exceptional qualities, but just as “a basketball player is not only something one is, it is something one does” (Gartner, 1989), an entrepreneur is “an individual who exploits market opportunity through technical and/or organizational innovation” leading to venture creation and/or strategic renewal of an existing organization (Schumpeter, 1934; Carland, Hoy, Boulton, & Carland, 1984). As such, as supported by Agarwal et al. (2010) we also support that entrepreneurial activities structure the birth, growth and demise not only of organizations, but also of industries, regions, and economies.

Entrepreneurship has captivated the interest of academics and businessmen for quite long time (Schumpeter, 1934; Kirzner, 1973; Knight, 1921; Drucker, 1995). Several theories have been used to explain its importance as a driver of job creation, and as a generator of local and regional development (Schumpeter, 1934; Audretsch, 2007; Thurik et al., 2008) with important consequences for economic growth and human wellbeing (Amorós & Bosma, 2014; European Comission, 2013; Dantas, Moreira, & Valente, 2015).

There are various factors that have been used to explain entrepreneurial behavior. For example, the personality traits (e. g. McClelland, 1961; Nicolaou, Shane, Cherkas, Hunkin, & Spector, 2008) have been used to explain why some are more entrepreneurs than others. The human capital of individuals – formed by their investment in improving their productive skills and knowledge stock throughout time – has been used to explain the positive effect in firms’ survival (Gimeno et al. 1997), i. e. the entrepreneur’s human capital influences the capacity in assessing the industry and the proper entry of the firm into the market. Social capital – which depends on the actions and interactions among multiple individuals (Lin, 2001; Granovetter, 1988) – is also important for entrepreneurship, i.e. entrepreneurs can resort to of social ties to materialize business opportunities that eventually otherwise would not obtain (Mesquita, Lazzarini, & Cronin, 2007). Innovation is important because it allows entrepreneurs to differentiate from competition and to create the foundations of a competitive market that goes beyond the typical price-based competition (Drucker, 1995; Schumpeter, 1934).

Unfortunately, there is no single concept attributed entrepreneurship, although Schumpeter (1932), Knight (1921) and Kirzner (1973) can be considered as the leading contributors to the main theoretical aspects of entrepreneurship. Knight (1921) distinguished himself by emphasizing uncertainty and their management as an intrinsic characteristic of the entrepreneur, Schumpeter (1934) emphasizes innovation (disruptive) as a major element of the process of creative destruction that breaks the balance of the world, creating new markets and new economic development. Finally, Kirzner (1973) distinguishes the entrepreneur by his/her ability of sensing new business opportunities, which separates it from the traditional manager.

Entrepreneurship has also been understood from an economic point of view, with a focus on the creation of new companies. Thus, from an economic point of view, entrepreneurship is seen as an outcome, where countries and regions can be distinguished by new business creation indexes (e. g. Amorós & Bosma, 2014). There is a clear macro perspective where the individual characteristics of entrepreneurs...
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