

WHAT IS ENTREPRENEURSHIP AND WHENCE INTELLECTUAL DIMENSION

Abstract

Entrepreneurship is many things at once, but above all it is the Ability to See Opportunities and to Tap Resources Necessary to Exploit Them.

*Defining entrepreneurship as **Ability**, we accentuate the fact that it does not have to be equally distributed among people. This capacity can be both learned and taught, however. And it should be learned, and taught, because we have in mind very special capacity. Not only skill to **See Opportunities**, (in other words to recognize possibilities unseen by others), but also a competence (or power) to **Tap Resources Necessary to Exploit Them**.*

A Successful entrepreneur needs not only sufficient skill in recognizing emerging future patterns (which is the essence of opportunity detection), but also the aptitude of figuring out whether and how s/he is able to tap the necessary resources. None of these factors can be absent – neither opportunity nor resources. They should be noticed and reflected upon simultaneously.

“When a change in perception takes place, the facts do not change. Their meaning does.” (Peter Drucker)

“Back in the forties, if I had enough money, I would achieve nothing.” (Howard Head, when becoming multimillionaire for the second time)

“There is no such thing as a ‘resource’ until man finds a use for something in nature and thus endows it with economic value. Until then, every plant is a weed and every mineral just another rock”.
(Peter Drucker)

“A Chance favors a prepared mind.” (Louis Pasteur)

From historically bent macroeconomic point of view everything might seem simple ...

Jean Baptiste Say was the first to observe that the essence of the economic role of the entrepreneur is shifting economic resources away from lower, and into higher productivity and greater yields. His observations were further developed by Joseph Schumpeter, who called the carrying out of new combinations of means of production – **the enterprise**, and individuals whose function is to carry them out – the **entrepreneurs**¹. Carrying out new combinations was also described by him as introduction of a new production function².

An entrepreneur, is entrepreneur only when he actually ‘carries out new combinations’, and loses that character that soon as he has built up his business, when he settles down to running it as other people run their businesses³.

In order to understand the pivotal role of the entrepreneur in forming the winds of creative destruction that result in economic development, one should remember the important caveat: “We must never assume that the carrying out of new combinations takes place by employing means of production which happen to be unused”⁴. “In practical life” Schumpeter immediately adds – this is very often the case”⁵. But “... development consists primarily in employing existing resources in different way, in doing new things with them, irrespective of whether those resources increase or not”⁶.

¹ / Schumpeter Joseph, 1955, The Theory of Economic Development, Cambridge, Massachusetts, Harvard University Press, p. 74

² / Schumpeter Joseph, Business Cycles, 1939, New York and London, McGraw-Hill, p. 87

³ / The Theory, op.cit., p. 78

⁴ / ibidem, p. 67

⁵ / ibidem

⁶ / ibidem, p. 68

In footnotes Schumpeter makes two crucial observations:

- “The ‘entrepreneur’ is merely the bearer of the mechanism of change”⁷, and
- “... he receives goods from the social stream – again in principle - before he has contributed anything to it. In this sense he is so to speak a debtor of society. Goods are transferred to him, to which he has not that claim which alone gives access to the national dividend in other cases”⁸.

The second of the above observations is further elucidated in the main text:

“By credit, entrepreneurs are given access to the social stream of goods before they have acquired the normal claim to it. It temporarily substitutes, as it were, a fiction of this claim for the claim itself. Granting credit in this sense operates as an order on the economic system to accommodate itself to the purposes of the entrepreneur, as an order on the goods which he needs: it means entrusting him with productive forces. It is only thus that economic development could arise from the mere circular flow in perfect equilibrium. /.../. Yet, ‘new demand’ becomes possible in a very obvious sense. It causes the rise in the prices of productive services. From this ensues the ‘withdrawal of goods’ from their previous use. In one sense no goods and certainly no new goods correspond to the newly created purchasing power. But room for it is squeezed out at the cost of previously existing purchasing power”⁹.

Entrepreneurship then, is idea first, financial resources to cover the costs of its implementation second, and risk free innovation - since the money is not supplied by the entrepreneur himself - finally. It all eventually leads towards phasing out of the old products and methods of production, and introduction of the new ones. As Peter Drucker put it, Schumpeter’s contribution towards understanding of the new economy was revolutionary, yet simple and convincing “He postulated that dynamic disequilibrium brought on by the innovating entrepreneur, rather than equilibrium and optimization, is the “norm” of a healthy economy and the central reality for economic theory and economic practice”¹⁰.

⁷ / ibidem, p.61, ft.1

⁸ / ibidem, p. 102, ft. 1

⁹ / ibidem, pp. 107-109

¹⁰ / Drucker Peter, 1985, Innovation and Entrepreneurship, Harper and Row, p.27

Yet, Schumpeter's theories were based on observations of capitalist economy of the early twentieth century. In preface to the quoted here treatise he remarks:

“Some of the ideas submitted in this book go back as far as 1907; all of them had been worked out by 1909, when the general framework of this analysis of the purely economic features of capitalistic society took the shape which has remained substantially unaltered ever since”¹¹.

This introduction was written in 1934, exactly seventy years ago. Just five years later, in 1939, the book entitled “The End of Economic Man” was published in America. Its author was... Peter Drucker. But 1939 was the beginning of the end of many more phenomena than mere the concept of the Economic Man. Apart from political, military and purely humanitarian consequences of technology development, it completely changed the ways contemporary economies are organized and function. Stage-coaches, railways, and eventually motor cars and airplanes, which greatly contributed towards integration and unification of the United States of America through facilitating mobility of people, gave way to personal computers and telecommunication which contribute towards globalization and unification of the contemporary world by supplementing mobility of people with instantaneous access to information, which – naturally – greatly reduces necessity of physical movement.

Could “basic features of capitalistic society” still remain “substantially unaltered”? With regard to entrepreneurship, Drucker, probably the most vocal advocate of Schumpeter's ideas, has no doubts nor hesitations. In the quoted above book he claims that “... everyone who can face up to decision making can learn to be an entrepreneur and to behave entrepreneurially. Entrepreneurship, then, is behavior rather than personality trait. And its foundation lies in concept and theory rather than in intuition. /.../. Entrepreneurs see change as the norm and as healthy. Usually, they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – *entrepreneur always searches for change, responds to it, and exploits it as an opportunity*”¹²(*original italics*).

With all due respect to Drucker's significant contribution towards spreading ideas of entrepreneurship throughout the world, and with never ceasing admiration of his style of their

¹¹ / The Theory of Economic Development, op. cit., p. IX

¹² / Innovation and Entrepreneurship, pp. 26-28

presentation, it is hard to overlook some important mistakes he makes while interpreting Schumpeter.

First, Drucker claims that entrepreneurs (usually) do not bring the change themselves. This is in clear contradiction to Schumpeter's statement that entrepreneur is the bearer of change. True, Schumpeter's language is sometimes unclear, and he quite often contradicts himself. Especially his last book presents somehow modified view of the process of innovation which becomes significantly internalized by the large corporation.¹³ But even this book does not part with the concept of entrepreneur as the bearer of change.

Second, and probably much more important, Drucker seems to be deceived by Schumpeter's florid style. 'Creative destructor', 'industry captain' or 'leader of change' is still only a theoretically conceived social role, or economic function, bloodless and fleshless, although necessary in the body of Schumpeter's theory of economic development. Behavior, personality traits, intuition, and even opportunities, do not belong to the Schumpeterian system of economic reasoning inhibited by performers of four different roles or functions – the entrepreneur, the manager, the capitalist, and the inventor...

... but from a pedestrian perspective, at the heart of entrepreneurship are opportunities...

... and here Drucker is certainly right!

The best known, and probably the most controversial definition of entrepreneurship describes it as "... the pursuit of opportunity without regard to resources currently controlled"¹⁴. Fortunately opportunities do not have objective identity. Should they do, and should they be pursued really without regard to resources currently controlled, all economic actors might try to do the same. And needless to elaborate, this would bring disaster. So the authors gathered around Howard Stevenson slightly "tamed" their definition by clarifying that although the pursuit of opportunities takes place without regard to resources currently controlled, it is

¹³ / J. Schumpeter, 1950, *Capitalism, Socialism and Democracy*, Harper and Row, 3rd edition

¹⁴ / Stevenson H.H., Roberts M.J., Grousbeck H.I., 1989, *New Business Ventures and the Entrepreneur*, Irwin, Homewood, Ill., p. 7

constrained by the founders' previous choices and industry-related experience¹⁵. This definition is much more specific and rigid by including learning factor (industry related experience), and limitations imposed by the previous choices of the founders. Somehow similar, but still controversial, is the definition given by Jeffrey Timmons, who mentions Howard Stevenson and other colleagues from Harvard Business School and Babson College, as intellectual partners in its development. Entrepreneurship is defined by Timmons as "... creating and building something of value from practically nothing. That is, entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled"¹⁶...

... and what they are...

Opportunities are some perceptions of desired future states that differ from the present ones, and are believed to be achievable. They are an individual specific (what I see, you do not want to see, or do not care to see, or cannot see), situation specific (what I see now, I might not be able to see tomorrow), and resource availability specific (what is financially attractive for me does not have to be equally attractive for you). Their conceptualization (what could and should be done, where, by when, and how) might require special effort and resources, but especially time. They rarely stay still to be watched; so called "windows of opportunity" open quite seldom, and easily close. So there might be a short time to notice the "openings", and seize one. They are like clients in your client-empty store. Your customers do not come one by one, exactly when you have time to serve them. If five of them come at once, and you are the only employee available at the moment, try not to lose all of them. They might never come again. Think in advance what and how you could arrange to make them attracted to stay until you can properly serve each. So if you look for opportunity, be opportunity obsessed, and be prepared to act when you see it emerging.

In short, the ability to see opportunities is not equally distributed among people. Opportunities should be watched for, discovered and conceptualized in order to become operational. If you look for one, and are not quite sure what it should be like, put your all senses "on watch". It might come quite unexpectedly, sometimes under quite weird circumstances.

¹⁵ / Hart M., Stevenson H., Dial J., 1995, Entrepreneurship: A Definition Revisited, Babson Frontiers of Entrepreneurship Research

¹⁶ / Timmons J.F., 1994, New Venture Creation, Irwin, Burr Ridge, Illinois, p. 7

Consider the following example:

A young and gifted engineer works for a medium size company specializing in installation of security systems in commercial sites. The top management of the company cares only about profits. Our hero is obsessed with quality, timing and good relations with clients. Among them he has many friends whom he made as a student and athlete. Quite incidentally he meets an older friend whose company is constructing new hospital. Over a friendly cup of coffee he learns his firm made a tender for installation of security systems, and there is practically no chance it can get the job.

- “We know, the friend says, you would be most probably personally responsible for work execution. And this would be fine with us. We detest your bosses, though. They are interested in money only. So, pity as it is, we probably will not work together on that interesting venture. Unless, unless, the friend utters, you incorporate, you establish your own company”.

Our hero is totally taken by surprise.

- “How can I do it? I do not have money, do not have people, do not have experience with running my own firm. Do not even have an office”.
- “No problem, his friend says. You know the people, and you know how to work with them. You can start as a sole trader. You will do all formalities right away. You know people and they know you. And there will be no problem with hiring some workers you currently work with. Everybody likes to work with you. And money should not be a problem either. As soon as you incorporate, we will sign a contract with you, and will give you an advance payment. Also, incidentally, we have some free space at our company, and there will be no problem with letting it to you for some period of time. What I suggest is that you digest my idea and come to me tomorrow. You will meet my boss, and we will brief you about the scope and modalities of the necessary work, as well as about financial terms. My boss knows you and likes you. There will not be any problem with mutual understanding”.

After a sleepless night our hero is about to agree. Actually he dreamed about venturing for quite a long time. Still, he never had an opportunity. Now, somehow, it comes seemingly by itself ...

During the meeting his friend arranged he learns about the scope of work, and about financial conditions. There is no problem with advance payment for part of the work. There is enough time to do all the preparatory work. There is satisfactory space that can be let for him. Formal contract and all necessary paper work can be completed upon official registration of the firm. Our hero is about to attempt this now, but he decides first to visit the company supplying necessary equipment and tools. Again, the manager is his personal friend. Quite quickly they determine what will be needed when, and what the costs will be. And, learning about the plans of incorporation, the supplier offers a deferred payment.

- “What, he asks with a smile, they offer you advance payment? So OK, I will agree to the deferred one. It will be so good to work directly with an old friend”.

Needless to elaborate, this situation is very exceptional one. But it is real. And if you think we are dealing here with pure exemplification of the Timmons concept of ‘creating and building something of value from practically nothing’, you are absolutely ... wrong. Our hero and his friends invested a lot in this venture. They invested long years into friendship based on mutual liking, professional understanding, trust, and feeling of togetherness. All these elements are important components of so called social capital, taking form of a tight personal network. This network is an extremely important, though informal, institution. Its existence reduces time and effort necessary to negotiate formal agreements. It just happens to suit the formal interests of all three involved institutions (of which one is still in the process of the making). And clearly, in no way does it suit the interests of the company our hero is still employed with. Too late for it to do anything, however. For the time being, it loses a lucrative contract, an extraordinary employee, and perhaps also some other workers who might leave together with our hero. The opportunity he runs across could not be pursued regardless of the resources currently controlled. The most important of them happened to be competent workers. So he had to speak with those he would most like to work with. And, understandably, they followed him to the good of his new company, and to the disadvantage of the old one. Thus, while taking-off, he had reliable and competent employees. But in order to be able to attract them to new jobs at his own company he had to demonstrate to them his professional (including successful leadership) qualities at much earlier time. In short, he had to build his human capital, and to successfully prove its practical value to his business partners and to his employees...

We have learned from Schumpeter and Drucker that the capitalist system provides plentiful opportunities for entrepreneurs to receive financial means necessary to implement new combinations of means of production. At the same time it provides many schemes to develop human and social capital. But unlike in the case of financial capital, both human and social capital development has to be taken care of much in advance of the immediate and concrete need. When it is really needed, it is either in place or not available. And then it is really much too late to start thinking about building it. But – let us repeat again – social and human capital development is never costless, and should never be paid no attention to. However, it is not bad to have good friends, even if you do not need their help now. It is like having a surgeon as your close relative. You know you can rely on his hand, if needed. But will you break your leg in order to test his competence and friendship? You just trust him, and in him. And he trusts you. And this is the quintessence of social capital. And the quintessence of human capital is that being a surgeon you do not count on your already established reputation and on your captive clientele, but regardless of already achieved success, you do not cease to advance your skills to serve people well, regardless of your personal relations and attitudes towards them.

...or might be like...

Consider another example:

The situation looks hopeless. The woman seems to be 50 years old, or perhaps even older. She is a widow. Her only son is sick and unemployed. She has a widow's pension, but it hardly suffices to pay the rent for the flat and utilities. Her much older brother was my classmate at elementary school. He saw my name somewhere in the newspaper, and advised her to visit with me, and to ask for help. So she came, and my wife let her in. It is quite late in the evening, and I wonder why really have I to listen to all of that. Why did my wife let her in without asking me if I can spare my time for that visit? But could my wife refuse? After all, the woman is our neighbor. She lives nearby, she nervously tells me about some friends and acquaintances I should personally know. She even talked with them about me. She can bring her older brother along. He lives at another section of the town. He is a pensioner, and cannot help her financially. Besides, his wife is also sick. She has some family here and there, in this city and outside. Large family. But no work, and thus no help. I can hardly follow her

narration. She is sitting in my comfortable, and always messy study. How come, and for how long? My wife brings tea. The woman drinks and moans. Her name is Natalia.

I start asking some questions to which she gives me quite precise answers. I learn she lives exactly five blocks from me. She has a telephone, and besides an old TV set which is her only luxury. And, it is only the other people who call her. She seldom does it herself. Only when she is sick and needs some help. It is just too costly for her. My wife enters again. She listens to Natalia's sighs, and I do my best to figure out how we could possibly help her. She gives me her phone number while I apologize I cannot promise anything right away. The visit is about to terminate when, suddenly, my wife comes up with a question:

- "But what would you like to do, Natalia?" And while receiving no answer, she continues,
- "perhaps, you could tell us what you like doing, come on ... do not be scared..."
- "Well, Natalia utters, I like to ... clean."
- "Clean, what?", I interject.
- "Everything", Natalia gets suddenly animated "Everything! You should see my small flat, it is really spotless, I cannot stand dirt".
- "So, perhaps, you could come and clean our flat, could you do it this week?" my wife partly asks, and partly suggests.
- "Wonderful, so many thanks" says Natalia, "I will come tomorrow, at what time should I come? Six, seven, eight?"

My wife smiles while I make a bad face.

- "No, Natalia, let us agree you come the day after tomorrow. Nine o'clock would be good. My husband will be out of town. He will be back at night. So perhaps you could do the whole apartment. I will be home when you come, and will show you around and also explain what we expect. Then I leave for a while and will be back for lunch with you. So do not bring anything to eat. You will find everything in the icebox. Also there is enough of brooms, rags, detergents, liquids, whatever you want. So come as you are. Everything you might need is already here."

I had quite mixed feelings while leaving home early in the morning of the day when Natalia was scheduled to do her work for us. I was especially concerned about my books, and notes,

and documents, and everything in my study, and also at always open wardrobes and cabinets. I was so much worrying about it all that we never thought about letting anybody to clean our apartment. My wife was doing that herself. And now, suddenly, we have Natalia whom we saw just two days ago for the first, and so far the only time! During the whole day I kept calling my wife, to reassure myself that everything is going smoothly.

After coming back I could not recognize my place. Everything shined and glowed, and all my notes and books were in exactly same place where I had left them. Nothing was missing. I also learned that Natalia stayed through evening, but she did not want a penny from us for her work, suggesting it had just been a 'rehearsal'. Somehow my wife persuaded her to accept some money at the "going market price level". My wife was so happy and satisfied that she asked Natalia to come again in just four days on the eve of a big party we were about to have at our place. The guests were just amazed how changed was our apartment. Needless to say, some of them wanted to have Natalia at their places. Since then we arranged for one full day a week of Natalia with us. Pretty soon we learned she works full six days a week. And, then, after just few weeks she told me she was worrying because she had no time to service all potential clients.

- "You see, my telephone rings all the time. I am not at home. And my son cannot tell when I might be available. Everybody wants my help. And I am really exhausted. I just cannot work more than 12 hours a day"

I took her words as a prelude to asking for a higher pay. So I bluntly asked her if this was the case. And upon learning that the matter was much more serious I suggested the following:

- "Consider stopping to execute the work yourself, except, perhaps, for your very few special customers like myself. Think about your family members and personal friends whom you absolutely trust, and who can do this job for you. You should have full trust in those people. They should be as yourself - honest, neat, laborious, and in need of money. Then, register your business as a sole trader. Your function from now will be to receive orders, possibly through telephone, and finding a proper person to do a concrete job. You will open a bank account to which your clients will be transferring payments for work done at their places. No advance payments. Just 'pay as the work flows'. Some of your clients can make payments by phone. So do not worry, it will not be difficult for them to make those payments. Open account with the bank which is nearby, and which offers

telephone service. You will pay your jobbers on a monthly way according to what they earned. Again, the easiest and safest instrument would be a bank transfer, so you should suggest them to open bank accounts as well. You should calculate the part of client payment you will keep for yourself. Let us call it a margin. It is not your profit. From this margin you will have to cover your costs - telephones, bank transfers, communication costs while doing necessary site visits, accounting office services, insurance, part of the rent for your flat, since you will be doing your work there. Your profit will be only what is left after all those costs are paid. From it (after it is taxed) you will cover the costs of investment (perhaps a computer, perhaps, with time, a car), and will allow yourself a salary. I will try to find you a reliable and nearby accounting office. They will help you to establish yourself and grow. They will lead you through such tricky areas as personal health insurance or liability insurance. If they do not know the answers, they will contact you with the people who know. The most important thing from the very beginning is transparency and order in your books. You will buy a computer only after you make enough money to invest in it. Perhaps we will find you a used one. But from the very beginning try to document everything you do. You should have a “database” of your clients. Just well arranged list of their names, addresses, phones, calls made both sides, payments made, etc. Obviously same for the jobbers. With each of them you should have a contract specifying what is he/she obliged to do, and what will be the remuneration”.

Natalia listened very carefully, and kept making detailed notes. By the end of my ‘lecture’ she said:

- “OK, Professor, some things look simple, some seem to be difficult. I am certain I will still need some advice. Tell me please, how much is one hour of your consultancy?”

I wanted to say, it was offered for free, but my wife who overheard the conversation while entering adjacent room, said it was exactly four hours of Natalia’s own cleaning. So in future, while Natalia was successfully building her firm, she was doing cleaning work at our place only when she was in a need of advice. Otherwise we were professionally served by her different employees, who most often happened to be Natalia’s family members.

One day Natalia visited me on a short notice. I immediately sensed she had a serious problem. As some time ago, she was weeping and lamenting. I learned she had a close family member in a distant city of Poland who became terminally ill after his wife died. Natalia was the only

member of the family who felt it was her obligation to leave her flat and move to that remote city. Quite to her surprise, her son did not have objections and decided to move with her. What she was so much regretting was her flourishing business.

I was utterly sorry I was about to lose Natalia. I had become accustomed to her unexpected visits and to her problems which allowed me to stay in touch with realities of the life of people who are far from being well to do. I was pretty aware of the fact that Natalia was pressed by time, and that she was in a serious need of help. So I approached the matter right away.

- “Natalia, I said. You have no reason to worry. You did a wonder. You not only made the people as myself and my wife happy, you not only gave other people well paid jobs, but you also built an institution, organization if you wish, which is so important and so stable that it can function for still many years to come”.
- “But I will not be able to run my company from distance, Natalia interrupted me, and I will probably not have enough money to make a living for myself, my son, and my sick relative”.
- “Natalia, I continued, what you created, exists independently of you. You can sell it for good money”.
- “And why anybody would wish to buy my firm?”, she asked.
- “Because it has established name, a roster of your potential clients, and another roster of potential jobbers. Plus, also, it is built on transparency and mutual trust. It has a bank account and organizational procedures which proved workable and smooth. You will be surprised how much money you can really get for it.”

It took Natalia less than one month to sell her firm to her younger cousin for a good price. The new owner moved to the old flat Natalia was renting, and even the telephone number did not change. The contract was written by financial adviser and a lawyer who both happened to be Natalia’s clients. The money was to be paid in installments but there was never any problem with collection.

Natalia found a full day help for her relative. And soon enough she founded very similar cleaning company in her new city.

... similarities and differences...

Similarities between our two cases abound. They are both rich in highlighting the role of social and human capital. They both indicate the importance of trust as the basic element of social capital. And, with regard to opportunity, they both clearly substantiate our assertion that considerable inputs (not necessarily of financial character, however) are necessary to create and build something of lasting value. Finally, they both present alternatives to bank credit as a possible source of financing the newly fledging businesses. In the first case it is advance payment for not yet delivered services, and some sort of its reversal – deferred payment for goods procured. It is hard to overlook the fact that both of these forms of financing do not differ in their economic sense to bank credit. Just repeating above presented quotation from Schumpeter:

“By credit, entrepreneurs are given access to the social stream of goods before they have acquired the normal claim to it. It temporarily substitutes, as it were, a fiction of this claim for the claim itself. Granting credit in this sense operates as an order on the economic system to accommodate itself to the purposes of the entrepreneur, as an order on the goods which he needs: it means entrusting him with productive forces”¹⁷.

But entrusting somebody with productive forces can take place still differently, as the second case illustrates. Here “entrepreneur-to-be” does not need any financial means in order to procure her tools and materials. They are provided by the consumer, in quantities and qualities defined by the consumer. It is true that our “entrepreneur to be” starts by performing the role of mere a hireling. But already as the “entrepreneur proper” she still does not worry about tools and materials which are client specific, client procured and client provided. True, she has to cover some costs of telephone calls, and eventually site visits, but they are really marginal.

Thus, both cases illustrate different financial arrangements geared at facilitating entrepreneur’s take-off. They show that money is sometimes not really indispensable because the means of production might be supplied by the customer, and that once it is really necessary, it does not have to be drawn from the bank. We might probably mention both informal and formal venture capital here as well, but it will probably suffice to note that its

¹⁷ / See above, footnote 9

activities further illustrate our observation concerning diversification of methods and sources of potential financing of new entrepreneurial ventures.

The differences between the two cases seem to be at least of equal importance.

In the first case a well established and well connected, professionally accomplished, success hungry, and probably quite well to do former athlete, is emotionally ready to accept Schumpeter's suggestion that development should never result from 'employing means of production which happen to be unused', but it 'consists primarily in employing existing resources in a different way'. This Schumpeterian hero has no problems with recognition of a suddenly emerging opportunity. Neither does he have any moral hesitations with regard to leaving the company he is employed with, and to asking some of his employees to join him. But, at the same time, he does everything he can in order to minimize the risk involved in enterprising. Before making his final decision he studies all its aspects and tries to assemble all necessary information. And such conduct of his is highly rewarded by the offer of deferred payment for supplies of necessary equipment. The offer which is not vital for him, but is nevertheless advantageous and facilitating his future success.

"Entrepreneurship – writes Drucker – is 'risky' mainly because so few of the so-called entrepreneurs know what they are doing. They lack the methodology. They violate elementary and well known rules"¹⁸. Our hero certainly knows what he does, and he does not violate any of well known rules of business conduct. Because of that (and not because of mere friendship) he is presented with the offer very few could refuse, but still fewer could stand up to. As a Schumpeterian 'bearer of change' he swims along quickly running waters, but since he knows the currents, the risks involved are still negligible.

Natalia is utterly different. She is just miserable and seemingly condemned to misery. She has no professional background nor experience. She is elderly, poor, surrounded by people who are as sick and deprived as herself. Yet she has a strong feeling of obligation towards her immediate environment. She does not abandon her sick son, and she is ready to sacrifice her prospering business just to offer help to her close relative in a distant city.

¹⁸ / Innovation and Entrepreneurship, op.cit., p. 29

She probably has some in-built sense of reciprocity, and sub-consciously she expects some help from her environment. So she keeps searching for something she cannot really articulate. Search for her is just meeting people, and talking to them. But with time she probably learns it is quite difficult to convey her feelings to ever hurrying people who belong to different world than that in which she lives. This is why she constantly cries while attempting to talk to me during our first encounter. Yet she is brave in her readiness to meet people from so many different walks of life. And her emotional intelligence is high. This is why, initially, she communicates much more easily with my wife than with myself.

As a business person Natalia matures with incredible speed. This is perhaps because of her willingness, readiness, and ability to listen, and also because of her trust in other people. I think I never had time nor intention to quote to her a famous statement of ski and tennis world maverick Howard Head who admitted that “God smiled to me twice.” For her good deeds the God smiled to Natalia twice as well. From her concerns about mere livelihood and readiness to perform any job, however hard and seemingly humiliating, Natalia quickly advanced to her own successfully growing and innovating business. While doing this she naturally shifted her attention from mere livelihood to concern about her venture. While on her never-ending mission to help others, she sold her existing business, and created another one. Thus she proved to have become a real, serial entrepreneur. True, for most of the time of her business career she was closely coached and advised by experts in the field of business. But her real achievement was to attract those experts’ attention to her seemingly humble mission, and to successfully execute their advice at her own, personal risk. And even here Natalia was extraordinary as an innovating entrepreneur. She perfectly understood that the most important assets of her both firms were rosters of real, and potential clients, and similar information concerning real, and potential jobbers. All that information was meticulously collected and organized by her son, first traditionally on paper, and then computerized. It not only helped to run both businesses successfully but also facilitated selling them at a high price¹⁹. Another peculiarity of her both businesses was the fact that they were staffed not by people drawn from other already existing firms, but rather with the ones previously unemployed, sick, and deprived of hope of finding a chance to prove needed and valuable. This contributed towards development in not economic only, but also in social sense.

¹⁹ / At some point Natalia became terminally sick herself, and had to retire together with her sick son. Upon selling her second business they both settled at a convalescent home. Her health seriously deteriorated, and I lost contact with her.

... so, what finally is entrepreneurship from a behavioral point of view...

One cannot, and should not, pursue opportunities without regard to available resources. This is what we teach our students while asking them to compose and write their business plans. The main function of the business plan is to assure entrepreneurs (and potential stakeholders as well!) that they know what they are after, and to help them assess what probabilities there are that the venture will achieve its objectives. And in order to appraise these probabilities, the entrepreneur must take into consideration available resources as early as possible. He might not have all resources under immediate control. Only those which need to be taken into consideration in the context of the very concrete opportunity should be assessed. The fact that Howard Head was a millionaire while deciding to invest “mere” \$ 27,000 in then not widely known Prince Manufacturing Company was absolutely irrelevant. What was relevant, however, was his engineering and business savvy on one hand, and his longing for some institutional setting to tinker in order to adjust sports equipment for an individual user as himself on the other. Those 27,000 USD ‘bought him only an entry ticket’ to experiment with products already produced and those he eventually invented and intended to sell. In order to make a fortune again, he had to invest his time, technological talent, and bewildering understanding of consumer behavior.

What we can see from this case is that resources as well as opportunities do not have “objective” character. 27,000 dollars is exactly 3 times more than 9,000 dollars, and 27 times more than 1,000. But this does not inform us much yet. We learn quite more being informed that for 27,000 dollars Head acquired 27% of Prince’s stock, which together with his well deserved fame of sports equipment maverick gave him full control over the company, which he eventually sold for 60 million dollars, while holding 66% of the company stock! Suppose somebody else decided to do same thing as Head did. It is quite improbable he would be let to acquire same part of stock for the same price. But it is just impossible to imagine this person would lead Prince and himself to where Head did. Those 27.000 dollars could eventually double or triple or maybe even quadruple. But even if company value grew by 10 times, which is highly improbable from perspective of then prevailing market trends, that achievement would still not bring the company its fame, and even its presence in our discussion.

If our claim that resources do not have objective character is right, the same should be true of lack of resources! One cannot lack something that one does not have a need of! If I do not have Utrillo's painting, it does not necessarily mean I really need one. And the same applies to money – if I have 1,000 dollars, it does not mean I need 26,000 more. Maybe, if I live in the USA, and have zero dollars and zero cents, I might need some dollars and some cents. But how many of those dollars and cents I exactly need is quite debatable. If I stay at the hospital, and am unconscious after being hit in the car accident caused by well-insured driver, I personally do not need any money (At least for the time being).!

The above made comment concerning clearly subjective character of resource-deprivation is not intended to have a merely philosophical character. Quite to the contrary, it definitely has practical consequences. In the same situation two different people can behave differently. One could feel totally incapacitated. Another one would act and prosper. Natalia's case should be quite instructive in this context. How many persons as herself did we encounter in our lives?! And yet, how few if any of them were privileged by the joy of creation of two enterprises, and remunerated by selling of both?! The most important factors behind her remarkable success have clearly non-material character. They are imbedded in social and intellectual capital she was both benefactor and exploiter of. With her humble social status, Natalia knew very well how to connect with people possessing proper business knowledge, and ready to share that knowledge with her. But Natalia's case is in no way unique. Even more telling are two other ones.

. . . from failed attempts to make a living, to accomplished living for making . . .

It took just five years to a couple of young pioneers who were trying to make a quiet and peaceful living in a place called Wall in South Dakota to realize they were damned to fail. In 1931, after careful inspection of several places in South Dakota and Nebraska, they invested everything they had, 3000 US dollars, to acquire a small drug store in a place which met their requirements – was small (slightly over 300 population of almost exclusively farmers), and had a Catholic church. Their store was a simple, if not primitive, compound in which they were living, merchandise storing, and retailing. And although both the town and the shop, and even the church, not to speak about turnover and income, were all very small, there was little tranquility for them. The store was at the main street and literally hundreds of cars were passing by their windows, day and night, heading towards the West, and making intolerable

noise. Hundreds of cars full of people who never reflected a stop-over in the place called Wall, in the center of nowhere, miles and miles of miles and miles from somewhere...²⁰

In making initial investment, they gave themselves just five years to see its fruition. Now, after almost five years, they both realized that the Summer drought deprived them of the fruit, and let whatever still available money to melt like ice. Their names were Dorothy and Ted Hasted. They were still young, in their early thirties, and they thought they could make another trial. Perhaps in a bigger place, and certainly not on their own.

And then, suddenly, after almost 2000 idle hours of sustained soreness over so many potential customers just passing by, and not bringing more than noise and smelly exhausts, they developed a brilliant idea of offering free iced water to thirsty customers traveling in, then, non air-conditioned motor cars. Needless to elaborate, this idea worked out, and motorists, while accepting free cold water, were also buying coffee, ice-cream, hamburgers, and whatever was available.

Today, the drugstore, still a growing and thriving family business, is run by the third generation of entrepreneurs. The township population grew to almost 1000 citizens, and its main business is the Wall Drug which is not a store only, but also a museum, art and performance center, social institution, and one of the 20 places considered a “must to visit” by South Dakota Tourist Office.

“Signs all along I-90 beckon you to the Wall where, besides water, the store boasts western art galleries, Indian pottery, a full-sized animated Cowboy Orchestra and Chuckwagon Quartet, bucking horse, giant jackalope, six-foot rabbit, 80-foot dinosaur, dining, and lots of fun. Today Wall Drug signs go far beyond the limits of U.S. Interstates as curious motorists drive by them in Shanghai, Amsterdam, Paris, and London”²¹.

It is estimated that in the Summer there are as many as 20,000 people a day visiting Wall Drug. There are other stores as well and also plenty of hotels and restaurants. No more is the place “in the center of nowhere”. It is just 53 miles southeast of Rapid City, and on the east of

²⁰ / <http://www.walldrug.com/history.htm>

²¹ / 20 Reasons Why We Are the Best Route in the West. South Dakota, no date, South Dakota Tourism, Pierre, p.10

the Badlands National Park. It is there as a milestone and a testimony of fast growing entrepreneurship in the West of South Dakota.

While following advice of his wife, and placing his first road-sign announcing free iced-water on the side of the main road, Ted Hustead, almost completely broken and hopeless retailer, was not making a big financial investment. So he must have been amazed when coming home and noticing already “hooked” customers parked by his drug store, drinking water, and contemplating what to buy. He then probably realized that ‘making a living’ – something he passively attempted for almost five years - might be much more complicated than living through making, through surprising people by giving them for free something of little value for me, and of big value for yourself. And this definitely required a big intellectual investment. Perhaps somebody with a bigger and better market savvy would notice it much earlier. But needless to elaborate, most people would not notice what his wife did, and still quite many would not even follow her advice. Thus Ted, and his wife, Dorothy, realized that investments can and should be of not financial character only. And they probably learned also – and this is much more important – that available resources might be much more abundant than most of us realize. Finally, they also comprehended that entrepreneurship is not only about successful selling, but first of all about building relations with the customers. And thus formed customer capital is just another element of intellectual capital! This will be further illustrated by another case.

The scene is Poland now, and the action takes place in Polish Tatra mountains, at a small, smaller even than Wall, highland village called Murzasichle, which can be translated as ... Wallwithpowerbehind. Actually, Polish or Slovak highlanders quite often call this place ... Wall for short. Similarly to Wall in South Dakota, Polish Wall had been for long characterized by poverty. No wonder many people kept emigrating. Mostly to America, but sometimes also to Western Europe. One of them was a pretty blond girl who emigrated sometimes in the 70-ties of the last century to Italy. Knowing very little about what to do she managed to get hired as a dish cleaner at a larger restaurant. As it happens, she befriended a young Italian who was working at the same place as a help to the chef. They fell in love and pretty soon got married. When Polish parents of the highlander died, and she inherited a small piece of land, the Polish-Italian couple decided to go and settle in Poland, hoping they can withstand local xenophobia. But the only thing they really knew about was Italian cuisine. And one thing was certain in the second half of the 1980's: - highlanders did not know about,

and did not want to hear about Italian cuisine. Their own diet was completely different. Furthermore, unlike typical Polish city dwellers, they definitely did not welcome change.

The large house, which could easily be converted into a restaurant, was in the center of the village. An ideal place for a tavern. But not for Italian restaurant. Yet the young couple was determined! They did what they first intended. Italian restaurant in the heart of Polish Tatra mountains! A serious blow against the spirit of the local community. It was doomed to fail from the very beginning. How could one assume the highlanders would visit such a place! But if anybody was making such an assumption, it was certainly not our couple. They (or rather she) knew very well what could be expected from the local community. Certainly lack of whatever support if not open hostility. So they decided to cater to tourists, especially to ones experienced to foreign travels. Clean, fast, moderately priced and extremely friendly, the restaurant enjoyed much of the 'word of the mouth' promotion in such Polish cities as Warsaw or Cracow whose population is well known for special predilection for vacationing in Tatra mountains. So, naturally, the restaurant was advertised with road signs sited in locations quite remote from Murzasichle.

The end of the story is similar to the Wall Drug case. Probably the most important difference is the scope and impact. Naturally, the impact of one small 'alternative' restaurant cannot be as big as that of Wall Drug. Besides, there had been some other restaurants with typical Polish food operating at Murzasichle. But the Italian restaurant has been a full success. And what is much more intriguing is the fact that the locals not only accepted it, but even started to visit it. Thus, also this establishment contributes towards the social and cultural development of the tiny 'Wallwithpowerbehind'. But in the context of our deliberations one thing is again of most relevance: location, once considered a sacred cow of competitive advantage, cannot be judged as simply good or bad. Its seemingly detrimental aspects can be successfully played out as factors contributing towards success of a given venture. But it should be emphasized again that success or failure with regard to location depends on conscious and deliberate actions taken by the entrepreneur. And these depend on ability to see, to think, and to act. We thus deal again with human aspects of intellectual capital.

... entrepreneurship is many things at once, but above all it is ...

The Ability

to See

Opportunities

and Tap the Resources

Necessary to

Exploit Them

Defining entrepreneurship as *Ability* we accentuate the fact that it does not have to be equally distributed among people. But at the same time we recognize that this capacity can be both learned and taught. And it should be learned, and even taught because we have in mind a very special capacity. Not only skill to **See Opportunities**, (in other words to recognize possibilities unseen by others), but also a competence (or even power) to **Tap Resources Necessary to Exploit Them**.

Alike Timmons, Stevenson or Drucker, we acknowledge decisive role of opportunity recognition. This is why we claim above that opportunities are at the heart of entrepreneurship. But to see opportunities and to recognize them, although difficult for many people sick with myopia caused by false assumption that venturing needs money first, will still not suffice to achieve success. Success is contingent on another kind of aptitude, which we call the ability to tap resources necessary to exploit already perceived opportunities. Unlike Stevenson, we do not claim that the gist of entrepreneurship is to pursue opportunities without regard to resources currently controlled. Quite to the contrary, the ability to recognize opportunity while simultaneously figuring out whether there exists a possibility to tap necessary resources to exploit it, is the most important factor behind risk reduction, so often emphasized by both Schumpeter and Drucker. Entrepreneurs need not only a skill in recognition of emerging future patterns (which is the essence of opportunity detection), but also the aptitude of figuring out if and how they are able to tap necessary resources. None of these factors can be absent – neither opportunity nor necessary resources. They should be noticed and reflected upon simultaneously. And ... it is very difficult to say which comes first, like the chicken and the egg. Here we differ with Stevenson, who asserts that

opportunities are much more important than resources. We simply claim that resources are indeed relevant and necessary, though, they should be considered only in the context of a given opportunity. We hope above made considerations have proven what we now claim.

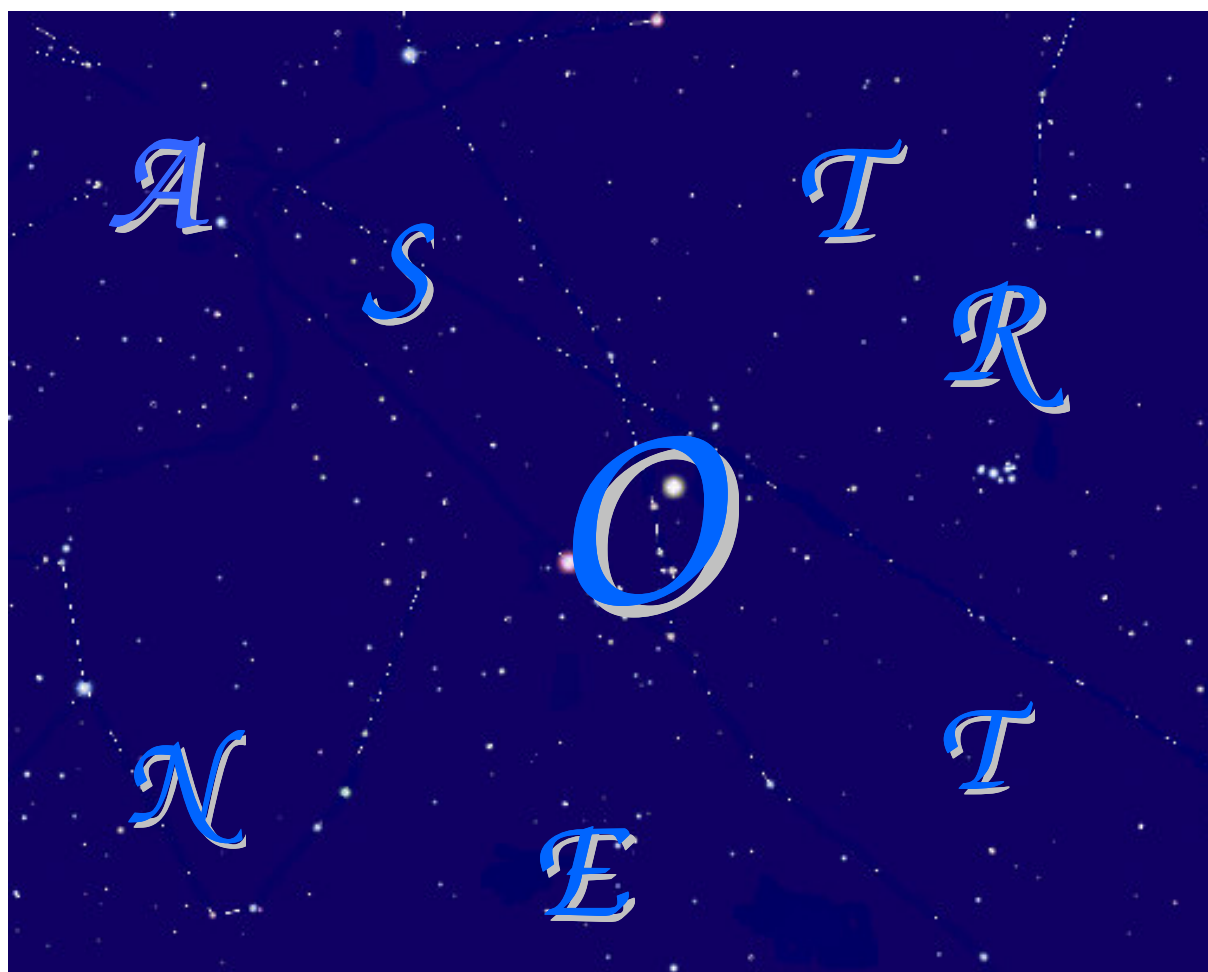
... and, is it feasible and possible?

The above question concerns viability of simultaneous recognition of opportunity and of possibility to tap resources necessary to exploit it. This question has two aspects – intellectual, related to entrepreneurial mind, and practical, related to entrepreneur’s resource endowment. And again here, strangely enough, these two aspects are closely related. Many opportunities cannot be seen because people who are not conscious of their existence approach environment as “black and white”, existing “here and now”, “from there to there”, and clearly defined as possessing several well-known features. But the contemporary world is different. It is constantly changing, dense with discontinuities, bringing new surprises, challenges. It provides us with many simple answers to most difficult questions, while simultaneously presenting still more doubts related to seemingly non-existing problems. Those who have necessary knowledge and courage to accept the world as it really is, and to live within its different spheres, while contributing to development of more than one of them, obviously have more chances to be faced with new opportunities. And, while faced with these opportunities, they quite often recognize that the necessary resources are easily reachable. The surrounding world is enriching them with opportunities, but since it is up to them to enrich the world through exploitation of those opportunities, this very same world is also generous in making necessary resources really available. However, throughout this text we tried to make explicit that rewards do not come at no cost. Those who are rewarded now are paid off for what they did beforehand. Here, there are no differences with regard to financial, social or intellectual capital.

As Schumpeter pointed out, it is through credit that entrepreneurs are given access to the social stream of goods before they have acquired the normal claim to it. However, potential suppliers of credit (not to speak just about any form of financial capital) are not exclusively banks, nor even financial institutions only. And we have also observed dramatically growing role of non-financial resources in facilitating or hampering new business creation and development. All these factors should make us sensitive to the greatly changed and still changing economic environment that render Schumpeterian macroeconomic observations less

fitting contemporary microeconomic environment. But even in Schumpeter's times credit could not be given to anybody for doing anything, any time and anyplace. Its availability had to be contingent on high probability of timely repayment of not capital only, but also on participation of credit provider in profit, and in its high yield as well²².

An old Roman dictum comes immediately in mind – *PER ASPERA AD ASTRA* – THROUGH HARDSHIPS TO STARS. Stars are there and difficult to approach, hardship is here and difficult to sustain. If you want to be entrepreneur, you should have some imagination, hope and knowledge. And then you will understand our concept of entrepreneurship captured in an acronym resembling the old Roman axiom – *ASTRONET*.



^{22/} Knight Frank.H., 1921, Risk, Uncertainty and Profit, London School of Economics and Political Science, Series of Reprints of Scarce Tracts, No. 16

Remember, the stars are far away. To see them, and to recognize opportunities involved, you should be armed with knowledge. Quite rarely will you succeed if you act as just a loner. It is better, safer, faster, and thus more prudent to be connected with alike and differently motivated but knowledgeable individuals; to act through networks which should be formed well in advance. **Hence the institutional dimension – networks. And the intellectual one – knowledge.**

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