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WHO IS THE WINNER ENTREPRENEUR?

AN EPistemological STUDY
OF THE SCHUmpETERIAN ENTREPRENEUR
INTRODUCTION

The Scope of the Study

The Identification of the Problem Area

Who Are the Schumpeterian Entrepreneurs?

This study discusses the Schumpeterian entrepreneur within the Schumpeterian paradigm. In his investigation into the Schumpeterian style of thought, Shionoya (1997) recently reconstructed the metatheoretical context of Schumpeter's work. Here, we are in this Schumpeterian world or paradigm in which economic analysis [economics] and economic thought [economy] are seen as two aspects of the same evolutionary process (Shionoya 1997). This study proposes that the entrepreneurial function and entrepreneurial leadership engender the creative form of an economy (Schumpeter 1954, 1949, 1942, 1934 [1912]). In the main, this study argues that the Schumpeterian entrepreneur, described as the creative form of an economy, might be a valid image of a human actor for the knowledge-based firm in the current knowledge-based or new economy (see Lahti 2000, 57-63; 1999, 204; Hamel 1998).

This study supposes that apart from Schumpeter, few writers have conceived the function of the creative entrepreneur in an economy and in the development of an entire society. In effect, the management function or the administration of existing firms (see Schumpeter 1946) have been prevalent both in the management practices of companies and in the literature of the firm, strategic management and even entrepreneurship (see eg. Lahti 2000, Knudsen 1995, Jensen 1993, Nelson and Winter 1982). Managerialism has led to an emphasis on economics of scale, a systemic
approach to management, and the separation of the ownership and management of the
firm. The Schumpeterian entrepreneur seems to be forgotten (see Lahti 2000).

It could be argued that Schumpeter’s vision of the creative entrepreneur as the
creative form of an economy enhances the understanding of innovation and of the
creation of new knowledge in the current knowledge economy or new economy
the Schumpeterian entrepreneur means essentially “the capacity to foresee the future
and the courage to go beyond customary channels in order to enter the darkness of
uncertainty”. This entrepreneurial energy deserves to be valued highly.

Schumpeter (1947, 1946, 1942, 1934) argued vigorously that in traditional theory
[or within “the economic system of Smith-Ricardo-Mill-Marshall tradition”,
Schumpeter 1946] there was room for the manager and the risk-bearing capitalist,
but not for the entrepreneur (see also Lahti 2000, 54; 1999, 71-5; Mintzberg and
Lampel 1999, Mintzberg et al. 1998; Casson 1997, 4; Knudsen 1995, Nolan and
and Winter 1982]. Schumpeter wrote: “I was trying to construct a theoretical model
of the process of economic change in time, or perhaps more clearly, to answer the
question how the economic system generates the force which incessantly transformes
it.” (Schumpeter 1937, 1-2; ref Shionoya 1997, 162)

Indeed, Schumpeter proposed that entrepreneurial leadership is the most important
means of production (Schumpeter 1934, 143). The criterion for who is an
entrepreneur and what is an enterprise is the entrepreneurial function (Schumpeter
1949, 1939, 1934). In Schumpeter’s thought, the entrepreneurial function (ie.
innovation) and entrepreneurial leadership cannot be divorced. Accordingly,
Schumpeter distinguished the entrepreneurial function from the management function.
To identify the research area, this study poses the following questions:

Figure 1

The Problem Area of the Study

Managers

Who are the Schumpeterian entrepreneurs?

Leaders

From what economics/economies do they emerge?

Entrepreneurs

As a result, the research questions of the study are as follows:

1) What is the concept of the entrepreneur in Joseph Schumpeter, Igor Ansoff, Henry Mintzberg, Gary Hamel and C.K. Prahalad?

2) From what context do their concepts of the entrepreneur emerge?

3) How is the methodological bridge to be formed from Schumpeter to current knowledge management or the knowledge economy?

4) Can the Schumpeterian vision survive?

5) Who performs creative destruction [ie. Who is the Winner Entrepreneur?]

To form a methodological bridge from Schumpeter to current knowledge management or knowledge economy, this study will examine the root assumptions of Ansoff’s systematic approach to strategic planning and management, Mintzberg’s strategic management and visionary leadership and the knowledge-based approach to the firm
of Hamel and Prahalad. As root assumptions, we will discuss metaphors or definitions of the firm, images of the entrepreneur, and the underlying methodological, epistemological and ontological status of the models and theories in question. We believe that the underpinnings of these theories or models imply the research tradition or paradigm, and thus fashion the concepts and the contexts from which the concept of the entrepreneur emerges.

Figure 2

A Map Leading to a Methodological Bridge
Discussion

For a synthesis of the concept of the entrepreneur we sum up our review of the Schumpeterian entrepreneur and enterprise as follows: **Proposition 1:** The Schumpeterian [creative] entrepreneur incarnates the exemplar of the successful leader of innovation. **Proposition 2:** The Schumpeterian successful innovator represents the self-governing entrepreneur. **Proposition 3:** The leadership of the self-governing entrepreneur is evident in the process of innovation. The effectiveness of the Schumpeterian leader of innovation emerges from the exemplarity of the successful innovator.

To summarize, our discussion of the Schumpeterian entrepreneur is based on the ensuing issues dealt with in this section. Schumpeter criticized that in traditional theory there was room for the management function and the risk-bearing capitalist, but not for the entrepreneur. Schumpeter's vision was to make room for the creative entrepreneur, "the most vital figure" of the competitive capitalist process (Schumpeter 1947, ed. Clemence 1997, 230). Thus, he put forward the creative form of an economy, or his theory of economic development [theory of innovation] in which the creative entrepreneur personifies the fundamental phenomenon of economic development (Shionoya 1997, 185). Schumpeter distinguished the entrepreneur from the manager, and the risk-bearing capitalist; the essential difference was creative reaction to change (Schumpeter (1947), ed. Clemence 1997, 221-31)

In essence, Schumpeter had a vision of long-term economic change through the entrepreneur who incessantly introduces innovations. In Schumpeter's thought, the adaptive managerial function covers the administration of existing firms, whereas the creative entrepreneurial function involves the incessant creation of new firms [innovations] (Schumpeter (1946), ed. Clemence 1997, 198-99). The purest type of
See L.H. p. 55: Is it...

- self govern.
- proc. of innov.
- success

or...

- success
- process of innovation
- self govern.
entrepreneur was the promoter who incessantly embarked on innovations or new firms. The incessant creation of new firms causes economic development or economic growth.

Schumpeter discussed the entrepreneurial function, entrepreneurial leadership, and entrepreneurial profit, the essentials of his theory of economic development, as functional concepts (Schumpeter 1954, 895-98; 1939, 87-109; 1934, 74-9). Schumpeter argued the entrepreneurial function as the act of will by the entrepreneur for the introduction of innovations, entrepreneurial leadership as the source of creative energy for innovations, and entrepreneurial profit as the temporary monopoly return on the personal activity of the entrepreneur.

In his theory of economic development, he spotlighted the mechanism and nature of the process of innovation (Schumpeter 1934, 61). The entrepreneurial function, the introduction of innovation, was the definiton and criterion of who is the entrepreneur, and what is the enterprise. Schumpeter tied entrepreneurial profit to monopolistic pricing, and to the relationship between the evolutionary process of innovation and imperfect competition (Schumpeter 1934, 128-56). Competitive mechanism does not tolerate permanent profits. In fact, the driving force of this competitive mechanism is the stimulus of individual profits. The successful innovator, however, may prolong the life of his monopolistic or quasi-monopolistic position by patents, or strategies which competitors cannot imitate.

Schumpeter's final goal was evolutionary science, and the source of evolution was leadership and innovation in various social areas (Shionoya 1997, 307). Schumpeter's thesis of leadership, through the concept of the entrepreneur, unifies Schumpeter's theory of economic development [theory of innovation] (Schumpeter 1949, 1947,
Insert between p. s 56 and 57 in “2.2.”

The need to be different to be successful!

H E Porter's strategies:

Thus entrepreneurial leadership can be subdivided into economic leadership and social leadership functions (Schumpeter 1928). The economic leadership of the entrepreneur entails the leading of successful innovation in an economy. The social leadership function (Schumpeter 1928) presupposes the innovative entrepreneur as a leader in the noneconomic area of a society. Schumpeter’s thesis of leadership means the synthesis of Schumpeter’s economic dynamics [theory of innovation] and economic sociology or evolutionary social science.

The core of Schumpeter’s assumptions was the concept of the entrepreneur which denotes the function of leadership (Shionoya 1997, 166-67). The personality of the entrepreneur cannot be detached from innovation because leadership engenders creativity for introduction of innovation. Schumpeter’s thesis of leadership indicates the creative entrepreneur essentially as the leader of innovation. Schumpeter proposed that this entrepreneurial leadership quality may be valued as the means of production to the enterprise (Schumpeter 1934, 89-90, 143).

The entrepreneur is the leader of innovation in the economic and sociocultural development of a society, because Schumpeter viewed economic development as embedded in the sociocultural development of an entire society. Through introduction of innovations, the entrepreneur enhances interaction between the economic and noneconomic areas of a society. The successful innovator can influence the sociocultural development of an entire society. Consequently, it follows that Schumpeter’s conception of innovation embraces both technological innovation and organizational or institutional innovations (Shionoya 1997, 193-222).
Schumpeter’s concept of the entrepreneur emerges from two contexts: i) from a biological analogy of the statics-dynamics dichotomy and ii) from the sociological dichotomy of leader and follower applied to the entrepreneur as leader and the manager as follower (Shionoya 1997, 172-73). Schumpeter distinguished the entrepreneur as the leader of innovation from the adaptive manager. Schumpeter called the creative entrepreneur the energetic man of action as opposed to the rationalist and hedonist economic man. Schumpeter described the entrepreneur’s motivation in three groups: i) dreams of private family fortune, ii) the will to struggle for success and victory, and iii) the incessant exercise of energy in new ventures. Therefore, the conduct of the Schumpeterian entrepreneur might be characterized as the conduct of innovation by the self-governing entrepreneur (Schumpeter 1954, 888-89; 1934, 88-94).

The label ‘self-governing entrepreneur’ can be understood as the essence of the entrepreneurial spirit or courage. The Schumpeterian entrepreneurial spirit was proposed as vigorous, nonhedonistic or antirationalist. Accordingly, the basic argument underlying Schumpeter’s thesis of leadership is the fundamentally conflicting relationship between the entrepreneurial spirit [heroism or courage], and the rationalist spirit of trustified capitalism (Shionoya 1997, 224-27, 252-56) As a result, Schumpeter anticipated that the entrepreneur, “the most vital figure” of the competitive capitalist process, “progressively loses the most essential function” (Shionoya 1997, 292-94, Schumpeter 1947).
Insert after p. 58 in "L.D."

Benchmarking is ___ing the best practices in the industry.

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From attack to defense.