

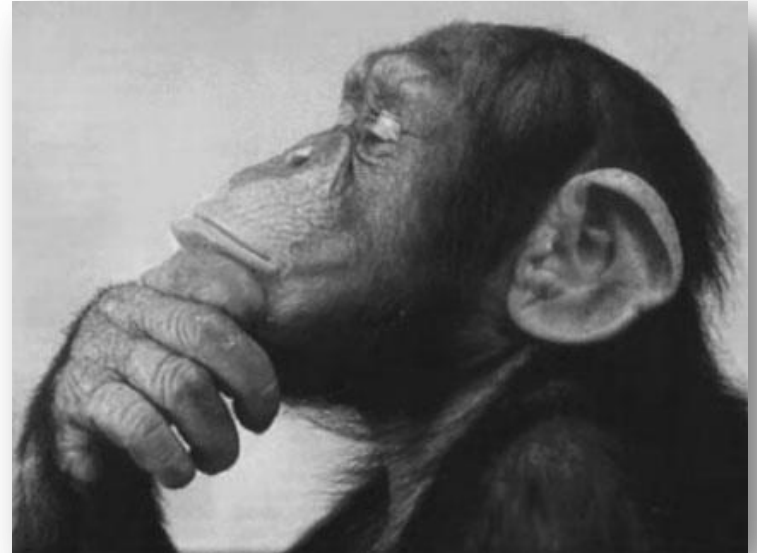
Entrepreneurship Theory: Issues, Challenges, Debates

Peter G. Klein
University of Missouri
ENT Doctoral Consortium
San Antonio, August 2011



Theorizing about entrepreneurship

- ▶ General issues and problems
- ▶ Some important theoretical contributions
- ▶ Relationship between theory and applied work
- ▶ Caveats



Issue #1: What exactly is entrepreneurship?

▶ A phenomenon

- Self employment
- Startups
- Small-business management
- New-product introduction
- Analytical tools: “standard” economics, sociology, psychology, history

▶ A way of acting

- Creativity, imagination, initiative
- Innovativeness
- Alertness to profit opportunities
- Judgment under uncertainty
- Analytical tools: “alternative” economics, sociology, psychology, history

▶ My secret desire: drop the e-word



Issue #2: “Theory” – varies by academic discipline

▶ Neoclassical economics

- Labor-economics literature on occupational choice
- Economics of innovation and technology
- Economics of networks

▶ Heterodox economics

- Behavioral economics models of biases and heuristics
- Austrian perspectives on discovery and judgment

▶ Sociology

- Social network theory
- Identity

▶ Psychology

- Entrepreneurial cognition

▶ History, rhetoric

▶ Others?

▶ Multidisciplinary approaches

- Entrepreneurial orientation
- Effectuation
- Strategic entrepreneurship literature
- Positioning issues?



Issue #3: Methodology

► The unit of analysis

- Individuals?
- Teams?
- Firms?
- Industries, economies, societies?
- Opportunities?
- Investments?
- Behaviors?

► Methodological individualism

► Causation

► Theory and practice

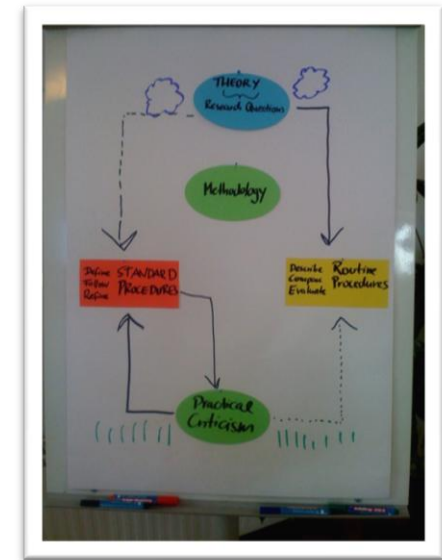
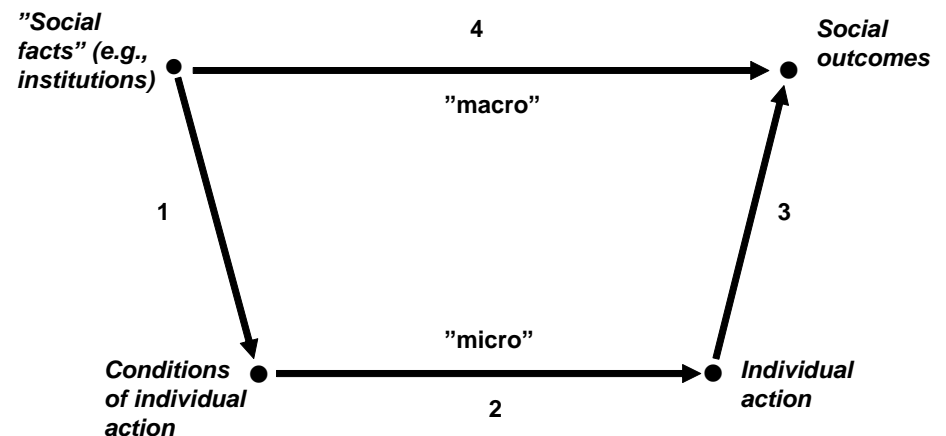


Figure 1: A General Model of Social Science Explanation



Some important theoretical contributions

- ▶ Schumpeter (1911): introducing exogenous change to Walrasian equilibrium
- ▶ Knight (1921): decomposing interest, wages, and profit; risk versus uncertainty
- ▶ Kirzner (1973): using alertness to explain market equilibration

(Note on **instrumentalism**)



- ▶ Kihlstrom and Laffont (1979): self-employment and risk aversion
- ▶ Baumol (1990): productive, unproductive, and destructive entrepreneurship
- ▶ Lumpkin and Dess (1996): entrepreneurial orientation
- ▶ Garud and Karnoe (2003): bricolage versus breakthrough
- ▶ Lazear (2004, 2005): balanced skills
- ▶ Alvarez and Barney (2007): discovery versus creation

Soapbox comments

- ▶ There is no “entrepreneurship theory.”
- ▶ Many theory papers try to do too much (the kitchen-sink model).
- ▶ We have few established criteria for choosing among rival theories.
- ▶ Good research can be phenomenon driven, not theory driven.

