

Entrepreneurship

Jean-Baptiste Say, a French economist who first coined the word entrepreneur in about 1800, said: "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." One dictionary says an entrepreneur is "one who undertakes an enterprise, especially a contractor acting as the intermediary between capital and labour".

Entrepreneurship is the special collection of skills possessed by an entrepreneur. They include a propensity to take risks over and above the normal, and a desire to create wealth. Entrepreneurs are people who find ways round business difficulties; they persevere with a business plan at times when others run for the shelter of full-time employment elsewhere.

They are also opportunistic, sometimes ruthless to a fault. Abraham Zaleznik, a Harvard Business School professor, once said, "I think if we want to understand the entrepreneur, we should look at the juvenile delinquent".

Until recently, there was a general feeling that entrepreneurs were born not made. The skills they required were, it was thought, either learned at the dinner table when young, or they were instinctive, a "seat of the pants" thing. The Economist once wrote (see article), "Entrepreneurs—the most successful, though not the only, practitioners of innovation—rarely stop to examine how they do it."

The main constraint on entrepreneurs has traditionally been a shortage of finance, not of ideas. The old picture was of the entrepreneur, brimming with bright ideas, beating a path to the closed doors of one bank after another. In recent years, however, a whole industry has grown up—the venture-capital industry—to meet the financial needs of entrepreneurs and to share in the fruits of their endeavour.

Those fruits are usually gathered through a listing on a quoted stock exchange. A number of small exchanges have been set up especially to encourage small entrepreneurial firms to follow this route.

Some management writers have tried to take the idea of entrepreneurship into big organisations, encouraging full-time employees (on monthly salaries and the promise of a pension) to think like entrepreneurs. The idea has been dubbed "intrapreneurship". One definition says that intrapreneurship is "the introduction and implementation of a significant innovation for the firm by one or more employees working within an established organisation".

The selling of the Post-It note (see article) by Spence Silver, an employee of 3M, is one of the classic and most quoted examples of intrapreneurship. 3M has been particularly successful at encouraging intrapreneurs. It maintains that the first thing you have to do is to create a corporate culture which permits ideas to blossom. "You have to kiss a lot of frogs to find the prince," the company told The Economist. "But remember, one prince can pay for a lot of frogs."

Further reading

Block, Z. and MacMillan, I.C., "Corporate Venturing: Creating New Businesses within the Firm", Harvard Business School Press, 1993

Drucker, P., "Innovation and Entrepreneurship: Practice and Principles", Harper & Row, New York, 1985; revised edn, Butterworth-Heinemann, Oxford, 1999

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Jennings, R., Cox, C. and Cooper, C., "Business Elites: the Psychology of Entrepreneurs and Intrapreneurs", Routledge, 1994

Pinchot, Gifford III, "Intrapreneuring: Why You Don't Have to Leave the Corporation to Become an Entrepreneur", Barrett-Koehler, 2000

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