

# Economic Development through Entrepreneurship: Learning from Past Experiences

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## ABSTRACT

Significant advances and numerous breakthroughs have happened over the last few years in our comprehension of the association between learning and development on one hand, and entrepreneurship and development on the other. Similarly, more noteworthy insights have likewise been picked up with respect to the inter-relationship between entrepreneurship, innovation, and learning. However, an in-depth comprehension is as yet missing concerning the interface of all of those factors: learning, innovation, entrepreneurship, and development. The connection between the micro-economic source of development and the large-scale economic result is still too basic, making it impossible to understand the full size of these mind-boggling and intersecting powers. The main aim of the present paper is to bring to the fore the latest progress in our understanding of the powers that underline the conception and further development of learning in entrepreneurship and by shedding light on its past theories and experiences to develop present understandings.

## I. INTRODUCTION

In the last years many advances have taken place in the field of entrepreneurship, a field which has been instrumental in economic growth and development in the present century. As entrepreneurship and its related fields became the prime movers of the economic engine in almost all the economies of the world, more and more insights were developed about the relationship between entrepreneurship, learning and development. Despite tremendous efforts and many years of research, a detailed understanding is still lacking regarding the interconnections between these variables. In addition, there is a need to establish them in the past learning so as to really benefit from them. Despite the fact that researchers understood quite a while ago that disappointment is common to any entrepreneurial endeavor, they have certainly contended that previous entrepreneurial experience positively influences the finding of opportunities and their exploitation. This paper endeavors to argue that the awareness and consciousness with which

entrepreneurs make use of their previous experiences can lead to their success or failure in the discovery and exploitation of opportunities.

### Entrepreneurship Meaning and Origin- Learning from the Past

For what reason do people get involved in entrepreneurial ventures with indeterminate and risky results? The earliest research on entrepreneurship brought forward a range of reasons with respect to why people decide to become entrepreneurs. The asserted clarifications of entrepreneurship include a blend of clear-cut financial clarifications, precise attributes that are guaranteed to portray entrepreneurs, and additionally powers identified with culture and path-dependency. Moreover, similar powers activating entrepreneurship are introduced in the free market taxonomy. In this section, through a brief survey of the most frequently used explanations about the entrepreneurial activities, the idiosyncrasies relating to the definition and creation of knowledge in this field will be addressed.

## The Austrian Legacy

In the most recent years, an Austrian renaissance in the economic field has been observed that has put the entrepreneur, the changes in structure and the creative destruction in the center stage- both from an academic point of view as well as in policy making. Most of the contemporary theories on entrepreneurship and the implications related to entrepreneurship are based on the basic contributions made by Schumpeter (1934). He focused on the importance of imaginative business visionaries as the principle medium through which an economy moved forward from the static balance, based on the capabilities of entrepreneurial persons. In his own words, he says that a person becomes an entrepreneur only when he creatively carries out new permutations and combinations before he gets established. Once he has made a mark, he settles down and continues to run his business along the same lines (Schumpeter 1934, p78). According to Schumpeter, an entrepreneur is not the one who creates a technological innovation. Rather, he recognizes the gaps and utilizes the opportunities. Schumpeter's unique contemplations on entrepreneurial discourse had a profound impact on the next generation of entrepreneurship research. After around 10 years, Knight (1921) gave another definition of entrepreneur that stated that an entrepreneur is someone who has the capability to change uncertainty into a calculated risk. The Austrian legacy can be traced even further back. Menger fixated on the vulnerabilities and subjectivities that affirmed the intrinsic phenomena in the economies that are characterized by widely dispersed and disjointed financial activities. Von Hayek (1945) further explained these thoughts. In this way, there is by all accounts a somewhat clear association between Menger's view on the subjective economy, von Hayek's considerations with regards to the sharing of learning, and Kirzner's arbitraging entrepreneur, which fundamentally interfaces well with Schumpeter's meaning of entrepreneur's

inventive capability, including the uncovering of fresh markets.

In recent years the research in the area of entrepreneurship has been described by "how, by whom and with what results' from the chances to deliver future merchandise and ventures (Shane and Venkataraman 2000). As respects by "whom", a diverse meaning of the entrepreneur that has turned out to be progressively recognized has been proposed by Wennekers and Thurik (1999). The entrepreneur is innovative; works under ambiguity but still introduces new goods to the market, makes a decision on the working and placement of his enterprise and the way in which to use resources; controls his company and participates and competes for a share in the market. In fact, this definition can be linked to all three contributions referred to above.

The above brief and, clearly, partial presentation conjecture and portray the apparent characteristics thought of being possessed by an entrepreneur. Regardless of the fact that clarifications in the matter of why entrepreneurial activities are set out can be construed from those entrepreneurial attributes this is far from demonstrating an exhaustive theoretical model of entrepreneurship. There exists, hardly any convincing theoretical model of entrepreneurial conduct, which starts from the heterogeneity and stochastic components that is in every way an undisputable part of entrepreneurship. The closest modern endeavor to show the model of entrepreneurship is probably the occupational choice models (van Praag and Versloot 2007). Everything considered, the qualification amongst these and different models of profit- maximizing agents based on perfect information is thin. Rather business enterprise models depend on forms driven by stochastically appropriated capacities and learning capacities. None of these methodologies is especially satisfactory and whether they can offer insights more valuable than an eclectic approach based on empirical

observations is questionable. Therefore, the rest of the presentation is confined to a summary of the most well-known observational regularities with reference to the reasons for entrepreneurship to occur.

### **Empirical Clarifications of Entrepreneurship**

A large number of studies on entrepreneurship rely on the availability of self-employment data. The reason for using this information is because it is generally available for most of the nations and regions (OECD 2000). Alternative but related measures of entrepreneurship are the number of establishments (Beck and Levine 2001), the density of firms (Klapper et al 2008), or business proprietorship (Thurik 2002). The net birth rate has likewise been recommended as an as a marker of business enterprise, notwithstanding using it to trace structural and industrial changes (Dejardin 2008).

Entrepreneurship is frequently categorized as an opportunity- or a need-based undertaking. In the former case, it is perceived by an individual as a chance for making profits; while in the latter case it is seen as a last resort for making a living. The distinction between opportunity and necessity-based entrepreneurs could in like manner be deciphered as the separation between self-employed and high-growth entrepreneurship (Glaeser and Kerr 2009).

### **Macro-level Clarifications of Entrepreneurship**

The most typically portrayed determinants of business enterprise at the large scale in the literature are the level and development of GDP, together with employment, investments, speculations, cost levels, inflation and the interest rate level (Wang 2006). Likewise factors like government spending on training, infrastructure and health appear to be particularly related with new businesses. Some of these elements identify with the business cycle – i.e. there might be a cyclical component in entrepreneurship activity – while other, but less clarified, can be connected with

long waves impacting economic activity, innovation and entrepreneurship.

### **Regional and Industry Level Factors**

One essential strand of entrepreneurial aspects considers the distinctions in regional characteristics, pre-conditions and their impact on a business venture. Among the most important and basic components are the ease of transportation, the availability of human capital and wide-ranging research and development activities together with availability to financial capital. Additionally population (demand), employment and income growth ends up being critical determinants of entrepreneurship (Acs and Armington 2006).

## **II. CONCLUSION**

A society's ability to increase its wealth and welfare over time critically hinges on its potential to develop, exploit and disseminate learning, thus influencing development. As knowledge has progressed and achieved new levels, periods followed of economic development characterized by uncertainty, market experiments, redistribution of wealth, and the generation of new structures and industries. This example reflects the development amid the first and second industrial revolution in the 18th and 19th centuries, and is additionally an obvious element of the "third", and as yet progressing, digital revolution.

Despite the fact that there is a general supposition inside the monetary disciplines that small-scale level procedures assume an essential role in the dissemination of information, and consequently the development procedure, there is an absence of a thorough hypothetical structure but also of experimental investigations to help this affirmation. The economic variables knowledge, entrepreneurship, innovation hang together in a complex manner however are dealt with as different and separate entities, or reduced to a constant or a stochastic process. Thus, knowledge concerning the

microeconomic processes that leads to growth is still incomplete.

This paper has strived to delineate the connection between information, entrepreneurship and innovation from one viewpoint, and how that identifies with development on the other. In light of a (partial) survey of recent and previous theoretical and empirical contributions in this vein of research, the aim has been to pinpoint some of the weak spots in our current understanding of growth, to revisit the past to provide some recent insight to the development process of entrepreneurship.

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