

ENTREPRENEURSHIP DEVELOPMENT

M.Com. Semester-3, Paper-COMCC-10, Unit-2

Topic – Theories of Entrepreneurship
(Part-1)

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THEORIES OF ENTREPRENEURSHIP

PART - I

Theories of entrepreneurship consist of three major aspects of entrepreneurship. These three aspects are nature of opportunities, the nature of entrepreneurs and the nature of decision making ^{framework} ~~framework~~ within which an entrepreneur functions. These three aspects provide rise to two logical consistent theories of entrepreneurship, namely discovery theory and creative theory.

Some of the theories of entrepreneurship are as below -

1. Innovation Theory - This theory was developed by J. A. Schumpeter. According to him, entrepreneur is basically an innovator and innovator is one who introduces new combinations. The assumptions are -
 - i The entrepreneur is born with the desire to establish his own industry,
 - ii He desires to do something new,

- (iii) He takes pleasure at creativity and earning experiences of skills for doing various tasks.

The main objective is to earn profits, by way of search of new raw materials, new machineries, new sources, production of new products, new methods of production, new workers and providing consumer satisfaction.

2. Need of Achievement theory — This theory was propounded by McClelland. According to McClelland, the desire of his achievements obtaining specific achievements, making the best performance, touching the high heights of excellence, developed entrepreneurial tendencies in the individuals.

For this, entrepreneur should have adequate capacity of imagination, thing and developing new combinations.

3. Recover the withdrawal of status Theory — This theory was introduced by Everett Hegen. According to Hegen, creativity of any suffering minority group in the society is the main source of entrepreneurship. Entrepreneurship is a function of status withdrawal. This theory provides that a class which lost its previous prestige or a minority group tends to show aggressive entrepreneurial drive.

4. Social Behaviour Theory — This theory was presented by John Kunkel. He assumes that the entrepreneurial development of any society depends upon its past and existing economic social aspirations.

According to Kunkel, individuals perform various activities at which some are accepted by the society while others are not. The accepted are rewarded. The rewards act as reinforcing stimulus increasing

the probability of repeating the behaviour pattern. This pattern of social behaviour is entrepreneurial behaviour. The success of entrepreneurship depends upon four structures found in a society. These are-

- (i) Limitation structure
- (ii) Demand structure
- (iii) Opportunity structure
- (iv) Labour structure.

5. Social Change Theory — This theory was developed by ~~Max~~ Max Weber. Weber stated that the emergence and development of the entrepreneur depend upon ethical values system of society. This theory consists in his treatment of the ~~pro~~ protestant ethic and the spirit of capitalism. It provides an analysis of religion and its impact on entrepreneurial culture.
