Integral Research (Peer-reviewed, Open Access & Indexed Multidisciplinary Journal) ISSN: 3048-5991
Journal home page: https://integralresearch.in/, Vol. 02, No. 07, July. 2025

Explaining and Understanding the Economics of Entrepreneurship and Innovation in the Twenty-First Century Globalized World

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Abstract

Entrepreneurship is a field of study in economics and management. From an economic perspective, entrepreneurship is an exception to the traditional input-output model. The entrepreneur is frequently a proactive "change agent" in a social and managerial framework. The entrepreneur intentionally use creativity and innovation as instruments to accomplish enterprise. The definition and significance of entrepreneurship, the terms "entrepreneur" and "entrepreneurship," the traits of an entrepreneur, and the variables influencing entrepreneurship are all covered in this paper. This paper presents the economic and scholarly context of entrepreneurship, which is an economic theory and practice that lies beyond the boundaries of traditional input-output economics. The core idea of neo-classical economics, which emerged at the start of the twentieth century, is market equilibrium, which is the state in which supply and demand in a perfectly competitive market are equal. This paper stresses that innovative businesspeople have limited place in this plan, and it is instructive to note that communist theorists denigrated entrepreneurs as nothing more than "background noise" in the grand historical imperative. For a large portion of the twentieth century, the prevailing theory was the advantages of economies of scale, or the dominance of the large corporation.

Keywords: Entrepreneurship, Entrepreneur, Enterprise, Economics, Innovation, Creativity.

Introduction

The term "entrepreneurship," which describes the process by which people start and run their own businesses and industrial enterprises, is well known to all. The people who take risks and put their own money into business and industrial endeavours are known as entrepreneurs. The

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Received 12 June. 2025; Accepted 21 July. 2025. Available online: 30 July. 2025.
Published by SAFE. (Society for Academic Facilitation and Extension)

term "entrepreneur" instantly evokes visions of corporate titans such as Bill Gates or L.N. Mittal. While some people may find inspiration in these wealthy, well-known, and prosperous people, most of us would find it hard to relate their lives, personalities, or skills to our own. However, the truth is that almost everyone has been an entrepreneur at some point in their lives. Entrepreneurial in the sense of self-improvement (a sportsman who practices continuously to increase his or her endurance and performance), self-decision (a man who chooses not to get married and dedicates the rest of his life to serving God), creativity (a housewife who creates art out of trash), and risk-taking (a teenage boy who tries bungee jumping).

Therefore, it is appropriate to refer to anyone who demonstrates the qualities of self-improvement, innovation, self-decision, and risk-taking as having entrepreneurial attributes. An individual operating a business can legitimately be referred to as an entrepreneur when they demonstrate these qualities. The opposite is also true: a businessman cannot legitimately be said to as an entrepreneur if he does not take chances, strive for personal growth, lacks creativity, or is incapable of making decisions for himself. Furthermore, the latter is eventually driven out of business by market forces in today's cutthroat environment.

Entrepreneurship is still a very nebulous notion, despite its present significance. The definition of "entrepreneur" according to the dictionary is "one who reorganizes and manages only enterprise, especially involving high risk." This definition appears to be adequate if taken literally, yet it is far from comprehensive. Entrepreneurs are not always great risk takers, according to research. Nonetheless, a shrewd businessperson takes action to lower risk and raise the possibility of success. There is no mention of opportunities or resources used to attain success in the definition. The definition only makes reference to high risk, which may or may not be required for success.

Through the development of new products, methods, and commodities, entrepreneurship propels human progress forward and makes the old obsolete, resulting in the demise of entire industries and the emergence of new ones. Many of our products today are not only better than they were even ten years ago, but they are also more affordable thanks to innovation. Because of how effective this method is, a lot of big businesses are starting to consider how they might leverage the creativity of their workforce.

Price has historically been the main focus of classical microeconomics; when labour is inexpensive and interest rates are high, capitalists, owners, and other businessmen select labor-intensive production methods; conversely, when labour is inexpensive and interest rates are high, they choose capital-intensive manufacturing techniques. They can decide to produce more or fewer items based on price. They hardly ever create new products or drastically alter production, though; people who employ innovation to bring about anything novel are frequently referred to as entrepreneurs. However, launching new products is a dangerous business; history demonstrates that less than 10% of inventions will produce a product, and in fact, only 0.5% will generate a sizable profit.

A manager of a traditional company, where stability, seamless changes, and continuous output are of the highest importance, obviously has no interest in this sector. The majority of people or organisations do not want to change unless they are compelled to, and logical, rational arguments by themselves are undoubtedly insufficient to bring about and maintain change. The majority of people who are prepared to face such challenges are entrepreneurs who are pursuing their goals.

"How can we get more of them?" might be the query if entrepreneurs use innovation to take this step. One of the goals of this paper is to educate and enlighten readers about entrepreneurship, whether they want to work for cutting-edge organisations or launch their own little or large business. Thankfully, entrepreneurship education encompasses more than just that; it teaches you how to be more imaginative, creative, entrepreneurial, self-motivated, and commercially aware. These are abilities that can significantly improve both your personal and professional lives.

Scholars argued a few years ago over whether entrepreneurs are "born or made." Naturally, there would be no use in attempting to teach entrepreneurs to have brown eyes if they were born with them. After all, blue-eyed persons cannot be taught to have brown eyes! But according to one book (Mell, 2022, p. 114), entrepreneurial behaviour does not follow Mendelian inheritance patterns. Instead, it is thought that social imprinting from entrepreneurial role models during childhood, which is comparable to a Pavlovian reflex, is the best explanation for the data in question (for a review, see Bridge et al., 2020, p. 215).

Being an entrepreneur in your early twenties is also rather common; when you have little to lose, the adage "nothing ventured, nothing gained" appeals. The number of new business owners in their thirties and forties has decreased, though, as risking everything becomes less alluring when your home and family are at stake. Later-life entrepreneurship among those over 45 is a relatively new phenomena. These mature individuals frequently possess some financial resources, but more significantly, they are psychologically stable, have reasonable expectations, and are extremely competent and knowledgeable in their field. Businesses founded by these entrepreneurs have above-average growth rates and a higher average success rate. In fact, EGC, an Australian organization, specializes in going on adventures with seasoned and mature returning foreign nationals.

Therefore, it is evident that anyone can become an entrepreneur at any point in their life. In fact, it might be claimed that mastering the skills necessary to launch a firm is a skill that, if acquired now, may prove beneficial in 20 years, if not sooner. The overlap between management and entrepreneurship, as well as the knowledge that people can switch between the two, is, in fact, one aspect that this paper specifically addresses (Mell, 2022).

In order to demonstrate its significance, 1,500 American colleges and universities provide entrepreneurship education in one way or another. With more than 500 courses offered at more than 100 UK universities and interest in entrepreneurship education expanding to non-business fields like engineering, the life sciences, and the liberal arts, where students aspire to start their own businesses, the UK's growth has been even more rapid, encouraging a "comparative entrepreneurship" approach (Mell, 2022).

Success requires a solid grasp of technical principles, and new companies must have the technical abilities necessary as part of their core competencies. This has created a bit of a conundrum because, while the Business Schools assert "ownership" over the teaching of the commercial activity known as entrepreneurship, they are, by definition, unable to impart the vast array of highly technical skills required for successful entrepreneurship. The so-called "ABC Schools"—architecture, biology, chemistry, etc.—offer these technical skills, where A, B, and C can be any academic subject.

Like innovation itself, teaching innovation thrives on disruptions, such as unexpected job loss. One of the biggest transitions for final-year students is "employability"—leaving the comforting educational system and entering the harsh, cold reality. Experience shows clearly that – especially for non-business students – entrepreneurship classes are by far more effective in the final year, or final semester and the teaching content will help prepare student as a new graduate for this big discontinuity. The instructor of the module will lead the students through the course so that they can graduate with a clearer understanding of the options and routes available to them.

This paper looks at what entrepreneurship is, why it is important, what an entrepreneur is, what makes an entrepreneur, and what influences entrepreneurship. This paper presents entrepreneurship in its academic and economic context. It is an economic theory and practice that lies beyond the boundaries of traditional input-output economics. The theory of the capitalist economy was refined by neo-classical economics around the turn of the 20th century, with the main idea being market equilibrium, which is the state in which supply and demand in a perfectly competitive market are equal. Innovative entrepreneurs have limited place in this plan, and it is instructive to note that communist theorists denigrated entrepreneurs as nothing more than "background noise" in the grand historical imperative. For the most of the 20th century, the advantages of economies of scale—that is, the dominance of the huge corporation—remained the prevailing theory (see, for example, Galbraith, 1967). However, Schumpeter and other academics maintained that the introduction of novel goods or services may drastically upset the balance.

Meaning of Entrepreneurship

The term "entrepreneur" instantly evokes visions of corporate titans such as Bill Gates or L.N. Mittal. While some people may find inspiration in these wealthy, well-known, and prosperous people, most of us would find it hard to relate their lives, personalities, or skills to our own. However, the truth is that almost everyone has been an entrepreneur at some point in their lives. Entrepreneurial in the sense of self-improvement (a sportsman who practices continuously to increase his or her endurance and performance), self-decision (a man who chooses not to get married and dedicates the rest of his life to serving God), creativity (a housewife who creates art out of trash), and risk-taking (a teenage boy who tries bungee jumping).

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Entrepreneurship is the process of developing something new and valuable by investing the required time and energy, taking on the associated financial, psychological, and social risks, and reaping the benefits of financial and personal fulfilment as well as independence.

Many people consider entrepreneurship to be a function that entails taking advantage of market possibilities. The direction and/or combination of productive inputs are most frequently linked to this type of exploitation. Entrepreneurs are frequently linked to creative and inventive activities and are typically thought of as taking risks when seeking chances. Entrepreneurs also play a managerial role in their operations, however regular management of a running business is not seen as entrepreneurship. Entrepreneurial activity is therefore transient. When starting an organization, a person may act as an entrepreneur, but they are eventually reduced to administering it without engaging in any entrepreneurial activity. Many small business owners would not be regarded as entrepreneurs in this sense. Finally, since they want to take advantage of possibilities, people who work for organizations, that is, non-founders—can be categorised as entrepreneurs.

The propensity to start and successfully manage one's own firm while utilising all of one's leadership, decision-making, and managerial skills is known as entrepreneurship. The terms "entrepreneur" and "entrepreneurship" are frequently used interchangeably. The position or duty that an entrepreneur performs is known as entrepreneurship. The main responsibility of an entrepreneur is to invest capital and take modest risks in order to take advantage of an opportunity and make money. He needs to be able to see opportunities ahead of time in order to take advantage of them. Even though an entrepreneur must carry out a variety of tasks, a successful entrepreneur must possess a wide range of personal attributes.

Importance of Entrepreneurship

A country's economic growth determines its level of prosperity. It is the duty of every country to promote economic growth to raise people's standards of living and end poverty and backwardness. To achieve the nation's productive potential, economic growth entails increasing the Gross National Product and relies on human resources using physical natural resources. It calls for a rise in both production and consumption.

Given the severe financial constraints and the urgent need for increased investment in the frontiers of social development, the government is limited in its ability to directly involve itself in raising productivity in an economy like India that has an abundance of labour but a shortage of capital. As a result, the populace must step up and form their own industrial unit in order to engage in productive activities. The productivity of the country will naturally increase as more and more people step up to launch their own businesses, no matter how little, and manage them successfully. The government runs several initiatives to encourage self-employment and foster entrepreneurship throughout the nation. Therefore, the growth of entrepreneurship and entrepreneurs are essential to the country's economic success. The following justifies the importance of entrepreneurship in an economy:

1. Creates wealth for the nation and for individuals as well: Every person who looks for business chances typically becomes wealthy through entrepreneurship. The nation's development is significantly influenced by the wealth generated by the same. Both the company and the entrepreneur make some sort of contribution to the economy, whether it be through the production of goods or services, raising GDP rates, or increasing tax payments. The country also benefits greatly from their inventions, ideas, and thinking.

2. Provides employment to huge mass of people: People often hold a view that all those who do not get employed anywhere jump into entrepreneurship, a real contrast to this is that 76% of establishments of new businesses in the year 2019 were due to an aspiration to chase openings. This emphasizes the fact that entrepreneurship is not at all an encumbrance to an economy. What more is that approximately 34 million of fresh employment opportunities were created by entrepreneurs from the period of 2010 (Bridge et. al, 2020). This data makes it clear that entrepreneurship heads nations towards better opportunities, which is a significant input to an economy.

3. Contributed towards research and development system: Entrepreneurs are responsible for almost two to three percent of all innovations. The world would have been a much drier place to live if not for the explosion of inventions. Through improved and standardized technology, inventions make tasks easier to complete.

4. It is a challenging opportunity for the people: Even while being an entrepreneur might be difficult, the rewards are typically far greater than one might expect. It offers financial rewards to entrepreneurs, but it also offers personal rewards. It gives the business owner a sense of fulfilment.

5. Entrepreneurship provides self-sufficiency: In addition to becoming self-sufficient, the business owner raises the living standards of its staff. It gives many of the employees of the company opportunities. Freedom, financial gain, and the sense of fulfilment that comes from completing a task are some of the fundamental elements that can contribute to happiness. As a result, the economy is a better place to live thanks to the contributions of entrepreneurs.

6. Sky-scraping heights of apparent prospect: When a person starts his own business, he has the most possibility and growth potential. He not only makes money, but he also learns while making money. Any entrepreneur can benefit greatly from this since the knowledge and abilities he gains from running his business are lifelong assets that are typically lacking when an individual is employed. When someone decides to become an entrepreneur, they must go through a grooming process. In this sense, it helps the economy overall in addition to him.

Concepts: Entrepreneur and Entrepreneurship

Although the idea of entrepreneurship has been around for a while, its acceptance has not increased significantly in recent years. However, the idea of resurrection has gained so much traction that, following observation, a solid theory regarding its unexpected finding was developed. One of the four fundamental economic factors—land, labour, capital, and entrepreneurship—is entrepreneurship. The word itself comes from the 17th-century French word "entrepreneur," which refers to someone who takes on the risk of starting a new business. They would take on the responsibilities of a contractor and assume the risk of making money or losing it. The term "entrepreneur" was first used in the 14th century to describe tax contractors who paid a set amount to a government to be granted permission to collect taxes in their area.

After that, throughout the 18th and 19th centuries, economic studies frequently discussed entrepreneurship. In this regard, the early economists from France, Britain, and Austria were noteworthy for their writings on entrepreneurs as the transformative force of progressive economies. In his 1755 article, French economist Richard Cantillon is acknowledged as being the first to give the idea of entrepreneurship a prominent place in economics. According to Cantillon, resource allocation is a conscious decision made by entrepreneurs. He defined entrepreneurs as those who buy production equipment and then combine it to create a product that he can sell for an unknown price at the time he commits to his costs.

In his well-known book, Wealth of Nation, published in 1776, Adam Smith defined "enterpriser" as a person who is forming an organization for business goals. According to him, entrepreneurs became the economic agents who converted demand into supply by responding to changes in the economy. Since Cantillon a few decades ago, the idea of entrepreneurship has become more transparent. In his book A Treatise on Political Economy, which was first published in 1803, another French economist, J.B. Say, defined an entrepreneur as someone who had the ability to start new businesses and who also had a remarkable understanding of the needs of society and could meet them. The British economist John Stuart Mill examined the need for private sector entrepreneurship in 1848.

Entrepreneurs were referred to as captains of industry in the eighteenth century. At that time, they were the ones who took risks, made decisions, and wanted to become wealthy. By gathering and managing resources, they would create new businesses.

Twenty years or more after J.S. Mill's declaration, a significant shift was observed in Austria. The idea of entrepreneurship in the 20th century was later impacted by this movement. The subjectivist perspective of economics was founded by Carl Menger in his 1871 book Principles of Economics. According to Menger, economic change results from an individual's awareness and comprehension of circumstances rather than from those conditions themselves. An entrepreneur, in his view, is the change agent who transforms resources into beneficial products and services, so establishing the conditions for industrial expansion.

Entrepreneurs were seen as the leaders of industry, risk-takers, and decision-makers in the 1800s. They were the people who wanted to become wealthy and who collected and oversaw resources to start new businesses. An entrepreneur is now perceived as an elusive person who made money at the expense of others, rather than as a captain of industry. For many years, management authors and thinkers concentrated on manufacturing efficiency and administration, pushing the term "entrepreneur" to the periphery of economic literature.

Joseph Schumpeter, another Austrian economist, updated the notion of entrepreneurship. The significance of an entrepreneur as a human agent in economic development was first acknowledged by him. According to Schumpeter, entrepreneurship is a force of creative destruction that destroys traditional means of doing things by creating new ones. He made this claim in his series of economic papers and treatises published between 1911 and 1950. He asserts that being an entrepreneur is a process that is fundamentally a creative endeavour. Through novel resource combinations and innovative business strategies, entrepreneurs are the innovators who bring something new to the economy. It is his view that such types of innovators are rare in society and they appear on the scene of development periodically.

According to German sociologist Max Weber (1864–1920), adopting exogenous beliefs leads to three intense efforts in occupational goals and the accumulation of productive assets that lead to the manufacture of goods and services. This, in turn, generates creative and entrepreneurial initiatives. According to him, the social environment in which entrepreneurs live has an impact on them, and society as a whole moulds the personalities of entrepreneurs.

Regarding the entrepreneurial side, several well-known psychologists, including McClelland, Hagen, and Kunkel, have created psychological theories in recent years, while Thomas Cochran and Frank Young have developed sociological views. McClelland emphasised the significance of accomplishment motivation in revealing entrepreneurs' personalities and promoting social and economic advancement. Hagen noted that a group of creative individuals emerged, which led to their social standing being withdrawn. As a result, entrepreneurs were created, and the path of economic progress was halted. According to Kunkel, an individual's behavioural pattern is the most important factor in their growth. External stimuli can guide such a pattern of behaviour. According to Cochran and Young's theories, the emergence of entrepreneurs is caused by a number of factors, including agricultural values, social sanctions, role expectations, and intergroup relations in society. They did not place a great deal of emphasis on society's influence on the personalities of entrepreneurs.

Numerous ideas on entrepreneurship had developed up until the eighteenth century. Since then, the management task has been acknowledged as a crucial aspect of enterprise management. Entrepreneurs' management responsibilities have been transferred to managers. Currently, it is difficult to define the term "entrepreneurship" or to identify entrepreneurs as specific individuals. Entrepreneurship, according to contemporary management experts, is a conduct that includes a person's search for opportunities regardless of the resources at their disposal.

It may be inferred from the preceding debates that several researchers have voiced differing views regarding the emergence of entrepreneurship. The following issues can be noted after analyzing numerous studies and their findings regarding the development of entrepreneurship:

In many nations around the world, entrepreneurship has been acknowledged under various names at different points in time. Risk-taking, decision-making, free thought, agency of change, an act of innovation, etc. are some of the various names.

By starting their own businesses, entrepreneurs have attempted to hasten economic development. They attempted to speed up development by effectively allocating resources, that is, by utilizing a variety of productive factors.

Entrepreneurs have been playing a significant role as innovators and economic agents at different eras. Their function was limited until the 19th century to the areas of economic agency, risk-taking, and decision-making that Cantillon, Adam Smith, J.B. Say, and J.S. Mill had proposed. However, Joseph Schumpeter was the first to understand the function of an entrepreneur as an inventor.

Characteristics of an Entrepreneur

Entrepreneurs possess the following vital characteristics:

1. An especially skillful person: The entrepreneur is seen as a person with a unique talent who also serves as a source of inspiration for others. He could be an individual in a group or a single person. Whatever he is, he has a unique talent that the average person does not typically possess.

2. An innovator: He has earned a reputation as an inventor who works to develop new product types, investigate untapped markets, and implement innovative manufacturing and industry reconstruction strategies. The primary attribute of an entrepreneur, according to Schumpeter, is innovation. Such innovation ensures that a creative concept is carried out and used effectively. Its success opens new economic opportunities and leads to commercial success.

3. Providing completeness to the factors of production: An entrepreneur acquires the resources he needs for production from a variety of sources and uses them to fulfil the components of production. Additionally, he tries to reach out to different markets for his goods. He acts as a coordinator and takes chances.

4. Decision-making person: An entrepreneur is a person who possesses the ability to make wise decisions regarding the formation of a business, its administration, and the acquisition of various components, distribution strategies, and coordination of various limited resources. He can make conclusions quickly on a variety of topics since he possesses a high decision-making ability. His ability to make decisions is a major factor in his success.

5. A man of creative personality: He is regarded as an employer who maximizes the use of financial resources and, as the name suggests, engages in productive activities. He is a creative individual since he can create something original. He is regarded as a creative pioneer as a result. He develops new concepts and fosters them using his own knowledge, experience, and intelligence. His creative nature and mindset are revealed via all these endeavours.

6. A basic plan-maker: An entrepreneur is a person who owns, employs, produces, creates, makes, takes risks, coordinates, uses market data, and is an inventor and creative person. He is considered a pioneer of economic progress because of this.

7. Economic development pioneer: An entrepreneur is a creative person and innovator who is also the owner, employer, producer, market creator, decision-maker, risk-taker, coordinator, and consumer of market information.

8. Dynamic leader: Through effective leadership, he inspires his team members to put forth their best efforts in the organization's best interests.

9. Wealth creator: The business owner uses a variety of resources to operate and manufacture his goods and services. Because new wealth is created because of increased demand for goods or services, the entrepreneur not only builds his own wealth but also contributes to the growth of society wealth. Therefore, one of the fundamental characteristics of an entrepreneur is the generation of wealth.

10. Self-confident and ambitious: According to Charles Von-Stamm (2023), an entrepreneur should possess both ambition and self-confidence as key characteristics. One of the noteworthy traits that contributed to his success is his self-confidence. His self-assurance enables him to confront any circumstance with courage. Self-confidence has to do with balancing labour and words. In the same way, he should always have high aspirations for himself.

11. Risk-bearer: It goes without saying that an entrepreneur must assume all the risks associated with the business. His business operations cannot be carried out without taking risks. An entrepreneur's innate quality is his ability to take risks. He is always responsible for the risks involved in producing any new goods or services. He is required to assume a variety of risks. These are risks related to capital acquisition, raw material procurement, product marketing, etc., and taking these risks is necessary for his success. This is an integral part of his everyday routine.

12. Adventurer: An entrepreneur considers several factors before starting his business, and after weighing the advantages and disadvantages of each option, he chooses the best one. He needs to have some adventure when making choices. He embraces challenges in a variety of challenging circumstances because of this trait.

Factors Influencing Entrepreneurship

Following are the various factors that influence entrepreneurship:

1. Educational: The educational system must undergo significant changes in order to better meet the demands of the modern social, political, economic, and cultural context. There should be more training for young brains to provide opportunities for self-employment. The need of the hour is to create an appropriate curriculum for entrepreneurial education and introduce entrepreneurship as a subject of study, even at the school level, to help young people understand the value of entrepreneurship.

2. Legal: The weak must be protected by the law until they are in need of it. Due to their limited resources, small business owners are unable to compete with major manufacturers. One such legal measure to safeguard the interests of small business owners is the reservation of specific product items for exclusive manufacturing in the small sector.

3. Infrastructure: To make it easier to start a new business, the government should provide concessional land and factory sheds, a sufficient supply of water, electricity, coal and other energy sources, transportation facilities, waggon availability, raw material supplies and other physical facilities.

4. Institutional: Entrepreneurs require guidance on potential manufacturing lines, raw material sources, funding, and other resources like technical know-how, tools, and equipment. Entrepreneurs must also be aware of government legislation, technical advancements, global economic developments, and company possibilities and risks. Institutions must be put in place to inform entrepreneurs about all of these issues that affect them and to provide them the opportunity to voice their concerns to government officials.

5. Financial: To serve and expand, new businesses must have sufficient working and fixed capital. Potential business owners are discouraged from launching new projects by a lack of funding. In emerging nations with limited capital, where businesses and industries must tolerate a less established capital market, the issues become more severe. The capital market should be developed with stronger financial institutions and more recent and creative capital market instruments, according to the governments of these nations.

6. Procedural: The bureaucratic processes of financial institutions, industry agencies, and government offices significantly impede the expansion of new businesses. The entrepreneurs must run to various jobs, fill various government offices for various jobs, and finish a number of formalities required by various laws, rules, and regulations. Reducing the number of legal and procedural constraints on entrepreneurs and developing an administrative system to handle all their demands and requirements will benefit both current and prospective business owners.

7. Communicational: Many entrepreneurial endeavours are driven to extinction by the knowledge gap. An entrepreneur is unlikely to be successful in their venture if they are unaware of the market's potential, competition, technical advancements, and other factors. In this sense, government agencies, business consulting firms, financial institutions, and associations of entrepreneurs all have a part to play. The success of an entrepreneur is crucial.

8. Communication and information technology: Information technology has permeated every aspect of human existence. With faster and more current information available at all levels of management, faster communication via email, networking, and online technologies has completely changed the industrial scene. Decision-making and execution procedures have also undergone significant modifications.

9. Rapid Changes: The revolution in IT and communication has led to a multiplication of networking both inside and outside the industry. The industry is changing more quickly than it has in the past due to information sharing and resource availability.

10. Size: Automation and computerized production and process controls have significantly increased in various industries. Large-scale enterprises and services are being brought about by the demand for goods and geographic reach. When it comes to manufacturing and marketing, the size benefits from economies of scale.

11. R&D Technology: To compete in the global market, businesses are spending a lot of money on R&D activities to create new goods and procedures.

12. Stakeholders: Today's stakeholders are better informed and receive the most recent information on industry advancements and the state of specific industries in which they are interested. As a result, the stakeholder is more aware and can now participate more closely than previously.

13. Globalization: Since there are no longer any geographical restrictions, business is conducted in an open environment. As a result, competition is very fierce. Companies must be extremely competitive in terms of quality, price, and delivery if they want to thrive in the current market.

The Evolution of Innovation and Enterprise

Large corporations began to diversify widely in the 1960s because of the unpredictability in the "smokestack" industries. The idea behind the concept was that if you had a lot of responsibilities, then not much could go wrong. This progressed to the point that numerous large firms established subsidiaries in industries such as electronics, coal, steel, chemicals, rubber, and so on. But it quickly became clear that each segment required a very different set of abilities to operate profitably. This resulted in a divestiture process where the new mindset emphasized "do what you are good at." As a result of this change, each industry had a very specific concentration. It was founded on the idea that there are only a few industries and that, as a result, performance will be at its best if these are understood and controlled (Mell, 2022, 2023). According to many academics, the decline in the previous Kondratieff cycle (Kondratieff, 1935) brought about a time of "creative destruction," which is what caused the market fragmentation known as the "post-Fordist era" (Schumpeter, 1942). The role of the entrepreneur—the force that reorganizes the market into new and more effective forms—has been illuminated by this process (e.g. Drucker, 1985).

Value Chains

The 1990s IT and Internet revolution brought attention to the potential for expanding into new business sectors. It demonstrated that, in contrast to conventional wisdom, it was feasible to establish new companies in areas where no prior industry or business existed. These sectors are known as "sunrise" industries, and Microsoft is one example of one such company. It did, however, also draw attention to the fact that current corporate processes can be reorganised to create new "value chains," which entail the quicker delivery of better and more affordable goods. This is where entrepreneurship starts. The concepts of "value chain" and "creative destruction" are frequently linked to innovation and entrepreneurship; nevertheless, it should be noted that disruptions are for businesses and that customers should experience advancements rather than disruptions. The value chain illustrates the worth of an incomplete product that increases in value as it gets to the consumer. In an intra-organizational context, the term "value chain" also refers to a collection of elements that influence value from the point at which a product enters the company until it departs. A "value system" could consist of multiple "value chains" (Porter, 2021). The manufacturing or marketing equilibrium is upset by value chain disruptions or discontinuities, which leaves earlier procedures or middlemen stuck outside the value chain. This is known as "creative destruction" or disintermediation (Porter, 2021; Mell, 2022).

The subject of entrepreneurship is generally ignored in classical economics, and Schumpeter (e.g., 1939, 1942) is rarely discussed in standard textbooks. This is likely since enterprise is difficult to model mathematically, and as a result, scholars frequently view it as, at most, an intriguing exception to neo-classical economic theory. However, entrepreneurship theory and practice were introduced by Joseph A. Schumpeter, whose book *Theorie der wirtschaftlichen Entwicklung* (1912) steered economists' focus away from static systems and towards economic advancement. By their very nature, Schumpeterian rents are dynamic and temporary, and they arise between the period between the original innovation and the emergence of imitation. They might, however, produce substantial profits over extended periods of time. According to Schumpeter, economic systems can move to more developed stages by avoiding repetition, particularly of past mistakes, thanks to the innovation practiced by entrepreneurs.

Economic Cycles

Additionally, Nikolai Kondratieff's work was made popular by Schumpeter (1939). The hypothesis that technology promotes businesses in waves that last roughly 50 to 60 years (known as the "Kondratieff cycle") was created by Kondratieff in 1935. In each cycle, a number of related technologies are perfected and used for about 20 years, after which the growth industries seem to be doing well. However, what appears to be record profits are actually capital repayments in industries that have stopped growing. This dangerous circumstance can escalate into a crisis, which is frequently brought on by a relatively small panic attack, and crash. A protracted period of stagnation ensues, during which time emerging technologies are unable to create enough jobs to restart economic growth. The "steam and agriculture" cycle (1820–1870), the "rail and coal and steel and textile" cycle (1870–1930), and the "electrical and auto and rubber and petroleum" cycle (1930–1980) are examples of completed Kondratieff cycles. Stalin, who had sparked a "agricultural renewal" in the USSR, executed Kondratieff for his prediction that the content of earlier cycles could not be replicated.

Some add space flight and biotechnology, while others think that microelectronics and IT are the foundation of the current Kondratieff cycle. Critics point out that the growth of the service sector better describes the new cycle and that IT is merely a "enabling technology" rather than a significant new industry in and of itself. Knowledge-based fields like architecture, consultancy, design, education, finance, publishing, research, etc. are at the heart of this industry, which is encircled and supported by communications, distribution, health, leisure, transportation, etc. On the other hand, some authors think that the shift from manufacturing to service industries is just the outcome of basic necessities being satisfied one after the other and that this is just a natural progression of economies from agrarian to industrial activities. Some contend that, rather than being a novel form of "late capitalism," manufacturers have been forced to outsource services to reduce expenses, boost flexibility, and maintain their competitiveness. Around 2080, the most accurate analysis will most likely be released.

In his seminal work Innovation and Entrepreneurship (1985), Peter F. Drucker popularized the ideas of Schumpeter and Kondratieff. Because the USA was experiencing economic growth at the time, while Europe was exhibiting the signs of being at the stagnation end of a Kondratieff cycle, Drucker compared the job conditions in the two continents. Drucker maintained that the difference was caused by the entrepreneurial culture in the USA, which was more adaptable and thus better able to take advantage of the change, even though it was undeniable that the western economy had entered the "post-Fordist" stage (the end of the "smokestack" industries and the beginning of the "sunrise" industries). As a result, within five years, most European governments, as well as the EU itself, had enacted laws establishing programs to encourage entrepreneurship and innovation. In the USA and the UK, entrepreneurship has been acknowledged as a separate field of management science since 1987 and 2000, respectively.

Focus on Entrepreneurship

The three components of production identified by traditional economics are labour, capital, and raw materials. All products are a combination of these three elements, whether they are goods or services. When these elements are combined in a way that meets human wants, value is produced. This process has occurred in organizations ever since the Industrial Revolution. In these situations, entrepreneurship is frequently called the fourth factor, which is the method by which the other three factors are arranged. Therefore, the traditional definition of entrepreneurship is:

1. Developing novel goods or combinations to meet consumer demands (innovating).

2. Effectively arrange resources (to establish organizations).

3. Add value to create wealth (to create jobs).

The French term entre, which means "between," is where the word "entrepreneur" originates. The verb "entreprendre" has an origin that dates to approximately 1200. A noun form emerged by 1500, and the verb and noun soon followed in the English language. A self-employed individual with a risk tolerance was already referred to as an "entrepreneur" in 1730. There is already misunderstanding between the idea of a "middle man" or intermediary (the "between") and the idea of an inventive businessperson who uses better managerial skills, new and improved techniques, etc., to accomplish commercial growth.

Broadly speaking, classical economics emphasizes creating demand and then meeting it with a marginally reduced supply (i.e., obtaining Ricardian profits, or "rents"). In contrast, an entrepreneur is now defined as someone who restructures a value chain using creative methods to generate an entrepreneurial (or Schumpeterian) profit (see Porter, 2021; Von-Stamm, 2023).

However, it should be noted that enterprise and innovation are not synonymous with capitalism and exploitation. As evidenced by the historical persecution of innovators such as Galileo, innovation is anti-totalitarian. Indeed, strong communities and beneficial interpersonal relationships serve as the foundation for variety and incremental innovation. Furthermore, it is impossible to undervalue the importance of social entrepreneurship, and the Peter F. Drucker Foundation (www.pfdf.org) has as its stated goal "To strengthen the leadership of the social sector." Therefore, innovation and enterprise are inherently anti-war and actively undermine class distinctions. "Innovation is essential to development and human progress," according to Mell (2023). Intellectual freedom and education are the foundations of innovation. Indeed, if a society were founded on a static source, such as the Bible or the Communist Manifesto, one could wonder what the state of creativity would be in that community.

A broad definition of enterprise is any activity that increases the capacity (attitude, skills, and competencies) for the following: invention, innovation, commercialization, technology acquisition, and business creation. Therefore, an enterprising individual possesses the following qualities: self-motivation, creativity, innovation, and commercial awareness.

Since an enterprising person would prefer to work for themselves than be unemployed, it is believed that they are always employable, even during periods of high unemployment. At the national economic level as well, this is believed to result in a lasting advantage (Porter, 2021).

Formalizing innovation into patentable forms is a relatively recent development. Therefore, even though Marco Polo and the other traders who operated along the Great Silk Road were functioning in an entrepreneurial manner for their time, the term "entrepreneur" is now employed differently than previous terms like "trader" and "merchant." Simply put, these terms and their definitions have changed. Regretfully, a lot of phrases are still used synonymously. These could include initiative, ingenuity, inventiveness, and inventiveness. They might also be capitalists, owners, and entrepreneurs. The fact that there are so many names and definitions for this subject is one of the regrettable lack of clarity. For instance, a large number of people are business owners. These encompass a vast and incredibly varied array of professions, ranging from plumbing to law. Since all (successful) businesses are obviously commercial, they must contribute value to some degree. But not every one of these companies or its owners is an entrepreneur.

Owners, Capitalists and Entrepreneurs

Therefore, the definition of a small business owner (small and medium sized enterprises, or SMEs) is: "an individual who establishes and manages a business for the principal purpose of furthering personal goals." According to Carland et al. (2019), the owner views the company as an extension of their personality, closely linked to their family's requirements and preferences.

Like this, a capitalist possesses the will, aptitude, and perhaps technological know-how to create riches, but this wealth is typically private and should ideally be created with the least amount of risk. Schumpeter, in contrast, believed that an entrepreneur was someone who used novel combinations of the means of production, such as: generating new goods; improving the quality of an already-existing product; creating new production methods; expanding markets; acquiring new suppliers; and establishing new organizational or industrial structures.

Invention is not Innovation

Now is a good time to examine innovation in more detail. Although the terms innovation, invention, and discovery are frequently used interchangeably, they are actually quite different. A fresh addition to knowledge is called discovery. These are typically found in the biological, social, or physical sciences. While practical knowledge comes from experience, such as the skills a workforce has developed to ensure new machinery runs smoothly, theoretical knowledge comes from observations and the experimental testing of hypotheses. An invention is a novel tool or method. The majority of inventions are not patentable because they are only slight improvements. An innovation must pass the originality test (i.e., be distinct from earlier inventions) to be eligible for a patent. Economic value is present in only a small portion of patents. Those that do are typically those that are applicable right away. The Phillips screw, which created two crosswise grooves in a screw head rather than just one, is an illustration of this. This screw can be grasped by robot arms, opening up entire assembly lines to automation.

Innovation is an improved method of operation. According to any applicable or pertinent criterion (such as profit maximization), an invention enhances performance in goal-directed conduct (such as re-election politics or personal lifestyle). Innovation is not invention. Spreadsheet applications like Excel could serve as a straightforward illustration of this distinction. The computer and all its components, including the software (like Excel), are the invention. Spreadsheets, on the other hand, are an invention when it comes to office hourly job scheduling. While innovation is fueled by invention (particularly in business and industrial engineering), invention is fueled by discovery (particularly in biology). As a result, it also becomes evident that innovation depends on time and context. For example, the invention of the steam engine and its application to the cotton industry in the eighteenth century was undoubtedly innovative, but this is not the case now.

In their reference to "Technology Cluster Innovation," Prescott and Van Slyke (2019) highlight the connections between entrepreneurial application and discovery (p. 321).

Types of Innovation

Radical innovation is an intellectual leap that transforms an entire field. The 1770s steam engine, which transformed industrial productivity and caused the price of cotton fabric to drop to 0.1% of its previous level, is an example of this. The movement of ideas at a systems level, or between a society's social layers, is reflected in vertical innovation. By 8000 BC, people had moved from being hunter-gatherers to using agriculture. Together with increased production from their labour, people were able to use relatively permanent settlements for the first time, which allowed them to spend more time on non-subsistence pursuits. More hands are available for labour duties as the population increases, and specialization is a component of the division of labour, as Adam Smith noted. Increased efficiency and technological advancement are the results of specialization. Indeed, about 2000 years later, pottery was being used since it was less labor-intensive to make than stone containers. Nonetheless, for many generations, farming, hunting, and gathering were complementing pursuits. Perhaps dugouts or wooden shelters, followed by sod houses and eventually homes made of sun-dried mud brick, would take the place of shelters made of skins and tree branches during migratory bands or hunting journeys (see, for example, Cameron & Neal, 2023). Brick-making expertise might have been combined with pottery-making abilities. Before the wheel was used for transportation, potters developed the potter's wheel as they honed their craft. These innovations and inventions advanced in barely noticeable steps. "Incremental innovation" is the term used to describe this kind of advancement. We can also talk about "horizontal innovation" when it spreads from farmer to farmer; this type of invention occurs among peers, or those who have similar issues and do not significantly differ in social standing. However, incremental innovation can also be vertical. For example, Henry Ford "simply" translated production procedures he had observed at Chicago meat plants to the motor business, turning a disassembly line into an assembly line with far-reaching consequences (Chaston, 2020).

Some authors even establish 3D relationships with the "4Ps of innovation," which are Product, Process, Position, and Paradigm (note that this is not the same as the "4Ps of Marketing"). In theory, vertical refers to the motor engine to the product portion, the assembly line to the process part, and Paradigm. The 4P model has the drawback of being somewhat hazy, particularly when it comes to services.

The relationship between firm size and the productivity, or efficiency, of the innovative process—specifically, whether economies of scale exist in innovation—is examined from the classic economic perspective of the Schumpeterian hypothesis (see Schumpeter, 1942). For instance, according to Palmer (2024), IBM normally submits more than 3,000 patent applications annually, Proctor & Gamble has over 30,000 active patents, and L'Oréal has 28,000 patents. It's obvious that this is pipeline production, therefore a few patents might not really matter. Therefore, economies of scale in invention seem to exist.

To support this idea, Utterback (2017) demonstrated that companies usually begin with a "product innovation" (perhaps invention), but that when it is introduced, its impact decreases and "process innovation" becomes more crucial (p. 212). Take the important invention of the light bulb, for example, which was made by artisans in a process that took hundreds of steps. "Process innovation" was certainly a key component in automating this process and ensuring that suitable light bulbs could be manufactured at a reasonable cost.

Unlike, say, creativity, diversity innovation frequently drives process innovation. Peer-to-peer innovation, or horizontal and incremental innovation, is the most common kind of diversity innovation. "Sometimes the answer just falls into your lap" is the best way to describe it. A casual conversation with someone from a different background could be considered a typical setting.

Sources of Innovation

All things considered, it seems that invention is the source of great advancement, yet inventions are rare (try to gauge how many businesses are established based on patents or inventions by looking through the Yellow Pages). A middle layer of innovation, known as "creativity innovation," can give rise to new business models, while a layer beneath it, known as "diversity innovation," is dependent on the basic diversity among people (Mell, 2023, p. 143). Simply put, speaking with someone from a different background could solve your problem without requiring a great deal of originality or imagination. Diversity innovation is challenging to govern and encourage, though. Economies of scale are also impossible in diversity innovation. On the contrary, if y is the number of nodes (people participating) and x is the number of two-way communication connections, then x = y * [y-1]/2, meaning that there are 3,540 communication options for a company with 120 employees. It would take 595 hours, or 16 man-weeks, of working time if each person talked to the other for five minutes straight without taking a break. This is only for five minutes, and no one had an opportunity to repeat what they had said or complete any work. Ten man-hours would be required for each additional employee to speak with current staff members for five minutes each. This is known as the transaction costs for communication, and Palmer (2024) went into additional detail about the repercussions of this.

Conclusions

The term "entrepreneur" instantly evokes visions of corporate titans such as Bill Gates or L.N. Mittal. While some people may find inspiration in these wealthy, well-known, and prosperous people, most of us would find it hard to relate their lives, personalities, or skills to our own. Entrepreneurship is the process of developing something new and valuable by investing the required time and energy, taking on the associated financial, psychological, and social risks, and reaping the benefits of financial and personal fulfilment as well as independence. Entrepreneurs are responsible for almost two to three percent of all innovations. The world would have been a much drier place to live if not for the explosion of inventions. Through improved and standardized technology, inventions make tasks easier to complete.

When a person starts his own business, he has the most possibility and growth potential. He not only makes money, but he also learns while making money. Any entrepreneur can benefit greatly from this since the knowledge and abilities he gains from running his business are lifelong assets that are typically lacking when an individual is employed. Even while being an entrepreneur might be difficult, the rewards are typically far greater than one might expect.

One of the four fundamental economic factors—land, labour, capital, and entrepreneurship—is entrepreneurship. The word itself comes from the 17th-century French word "entrepreneur," which refers to someone who takes on the risk of starting a new business. They would take on the responsibilities of a contractor and assume the risk of making money or losing it.

In his well-known book, Wealth of Nation, published in 1776, Adam Smith defined "enterpriser" as a person who is forming an organization for business goals. According to him, entrepreneurs became the economic agents who converted demand into supply by responding to changes in the economy. Entrepreneurs were regarded as the leaders of industry, the ones who took risks and made decisions in the 19th century. They were the people who wanted to become wealthy and who collected and oversaw resources to start new businesses. An entrepreneur is now perceived as an elusive person who made money at the expense of others, rather than as a captain of industry.

Numerous ideas on entrepreneurship had developed up until the eighteenth century. Since then, the management task has been acknowledged as a crucial aspect of corporate management. Entrepreneurs' management responsibilities have been transferred to managers. Currently, it is difficult to define the term "entrepreneurship" or to identify entrepreneurs as specific individuals. Entrepreneurship, according to contemporary management experts, is a conduct that includes a person's search for opportunities regardless of the resources at their disposal.

Applications of either creativity or invention are the two traditionally recognized origins of innovation. These are crucial elements in big businesses with departments like R&D. There is a third source, though, which is a sort of reciprocal inspiration that comes from using diversity. Most commonly moving horizontally, but occasionally vertically, "diversity innovation" and "creativity innovation" are important components of "incremental innovation." Therefore, when businesses are tiny, this third type of innovation is the most crucial.

Owners and capitalists are not the same as entrepreneurs, who want to gain a short-term advantage through innovation. New value chains are created, and "creative destruction" occurs as a result of improved procedures. Better goods and services are produced as a result, frequently at reduced costs.

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