

# How Business Management benefit from Entrepreneurship

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*Abstract: In this paper, the dominating models of Business Management are listed and their effect on business is stated. It is argued that in the last decades, no new models enriched the toolkit for this field, although economy alters permanently. Because of her promising impact on economic growth, the characteristic of Entrepreneurship is examined. Theories are explored to find clues on how to benefit from this phenomenon. Based on field experiments, evidence is shown that Business Management can benefit from Entrepreneurship when adopting the learning methodologies applied. It will be for this reason that Entrepreneurship will emerge in all European curricula, as is included in the Budapest agenda for enabling teachers for Entrepreneurship Education.*

*Keywords: Business Management, Entrepreneurship Education, Effectuation*

## 1 Introduction

When scanning the list of compulsory academic learning books of Business Management and the literature list of those books, over time, just small changes show up. This phenomenon is contradicting to the turbulence and economic impact of the Business Management profession for it is directly involved to the economic system and underlay in many situations influences from politics of all levels; local up to world politics. When taking a holistic approach on an organization, the management of it, public or private, is responsible for the achievement of its goals. Therefore, a lot of research, consultancy and education is available for them. The date of the origin of the models used on strategic levels is decades before the last millennium change. On the operational level, many scholars and consultants do come up with new models and insights, however mostly based on case studies [1]. In this article first the evolution of existing Business Management models is studied where after the phenomenon of Entrepreneurship will be explored and benchmarked to the existing models. In the second section the use of entrepreneurship for Business Management will be discussed and both, scientific and practical evidence is provided for a new way to

support Business Management in their responsible task to develop our economic growth on a sustainable basis.

## **1.1 The lack of evolution of Business Management models**

The demand of markets and society constantly changes. New canals of marketing are introduced (e.g. internet, social media), the management of personnel has become more faces (e.g. more participation and responsibilities) and the logistics (i.e. the distribution of information and goods) has changed significantly over the last decades (e.g. by the exploitation of the internet and its developments). Contradicting, Business Development seems to adopt only marginal changes to fulfil the changing requirements of the market. A reason for this can be found in the evolution of the organizational blueprint. From high tech firms it is known that the organizational blueprint of an organization barely changes over time [2]. This suggests that on the strategic level, the used insights and models scarcely evolve over time. The mainstream of business literature descends from the late last century. For example the models en insight of Abell [3], Deming [4], Mc Gregor [5], Mintzberg [6] and Porter [7] are still leading at academic courses. But is the fixation to the organizational blueprint at high tech companies a good reason not to evolve to new business insights, and get or keep the competitive advantage necessary for business survival? To keep up with the velocity of the economic development, Business Management seems to need an alternative route. A recent study on the achievement of business success of actual strategic management models, show that there are substantial limitations on them [8]. Most of the models are based on a causational construct, founded on uncertainty reduction by history-data processing. In their research Chandler, DeTienne [8] studied entrepreneurs when creating new ventures and found that they experienced limitations with the toolset of established models. In the next paragraph it is argued that there might be other routes to achieve more success in Business Management.

### **The coming of entrepreneurship**

When studying the economic system, besides the established firms, new ventures do call for their role as well. For decades, more and more evidence is found to support the assumption that new ventures, small businesses and entrepreneurship are a major factor on economic growth [9-14]. Therefore, the phenomenon of entrepreneurship is studied by many scholars. First scientists tried to identify what entrepreneurship was; was it a gift, talent, attitude or even a genome? At the end of the last century, the field of study was more from the social science and psychology. There was a strong belief among scholars that entrepreneurship was something with personal traits and the psychological mind-set of a human being. After the work of Scott Shane [15], which was the most quoted article of last

decade, the research on entrepreneurship shifted toward behaviour and economic [16]. Shane and Venkataraman proposed that entrepreneurs are human beings, following a process of opportunity recognition, preparation and exploitation [15]. Based on this finding, scientists tested and extended the entrepreneurial process. They now had a landmark from where further research on entrepreneurship was emerged and how it can be stimulated. From several scholars it is known that entrepreneurs differ in attitude and proceedings from managers [12, 17-20]. For this reason an anchor for fostering entrepreneurship can be found in the person of the entrepreneur [21-23] and in the process of entrepreneurship [15, 24, 25]. From these findings it can be deduced that an entrepreneur is a different person than a normal manager or professional. This should imply that there should be a difference in how an entrepreneur acts in a boardroom of an enterprise. Many scholars in the last decades tried to identify what the secret of the entrepreneur, or the entrepreneurial behaviour could be. First evidence of this was found by Saras Sarasvathy [26], which research initial met some scepticism. Later it became more common knowledge and their findings were used for further research. Sarasvathy discovered that enterprising persons think different then managers. In her research, she asked 34 successful enterprising managers of successful ventures, from different branches, states and sizes, to solve a business problem. As a research methodology she used the 'thinking aloud' technique, where it give an indication on what was happening in the mind of the entrepreneur, solving the business problem. From the transcripts of these sessions, a model of entrepreneurial thinking was build, known as effectuation. Effectuation is seen as the opponent from causation, which is the most common way of thinking in society. In figure 1, the significant differences between both are listed. The main different between the two approaches, is the underlying logic of thinking. Causation assumes that: 'to the extent we can predict the future; we can control it'. Effectuation assumes that: 'to the extent we can control the future; we don't need to predict it'. This different way of looking and approaching a situation was the main outcome of the research of Sarasvathy. Now we know that entrepreneurs work among the entrepreneurial process [15] and are thinking in a different way [26], the next question is in what way a business manager can benefit from it? Is it e.g. possible to get trained in this and can it be learned? In the next section these questions will be answered.

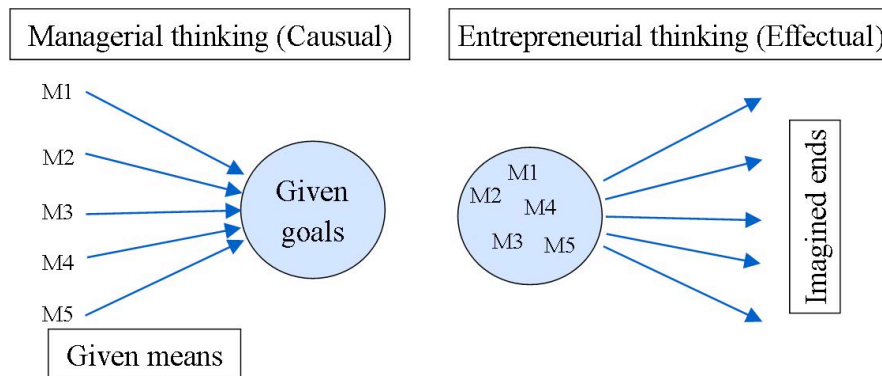


Figure 1  
 The causal vs. Effectual reasoning

## 2 Can entrepreneurship be taught?

This question is difficult to answer. Of course, it is possible to study what an entrepreneur is and what he is doing. Though this is not a guarantee that there will be an effect on the behaviour of the student nor that a possible effect is shown because of the educational program. According to Bloom's taxonomy [27] the learning of the models and theories should be enough to be a good entrepreneur. However, studies that are more recent show that this is not sufficient [28]. The extended sustainability of knowledge and the initial change of behaviour can only be achieved by using multiple elements of pedagogy and andragogy. A second reason why established programmes do not meet the requirement for entrepreneurship is the assumed context of the venture. In the actual used business models the future is predicted, based on situations in the past [29]. More recent studies show that business is unpredictable (e.g. [30] and [31]). This means that a business manager cannot rely on statistics and benefits from the past. To be enterprising means that a change of attitude. Both, more aware of opportunities and the internal power to bring them to action [32] and reasoning, from causal to effectual [33], is needed. According to Gibb [34], the curricula of an academic programme need to be restyled from scratch. Students need to experience the real-life situations of an entrepreneur. Not only the success, but also the experience of failure contributes to a more successful entrepreneur [34, 35]. The circumstances of the entrepreneurial education exhibit similarities to processes in nature. When making a comparison to nature, interesting outlooks can help to understand more the complex impacts of these findings. The educational process of an entrepreneur for example, is like the one of a falcon, where the traditional education process is

comparable with that of a goose. In the recent history, geese were raised for the production of their liver. For this purpose, the farmer was deciding for the goose, what food, how much and when to eat, geese who behave 'difficult' lived shorter. The effect is that the farmer created an animal that was dependent of the decisions of others and could not make decisions for them. In opposite, the falcon only feeds the baby which is shouting the most for food. If a baby did not shout loud enough or not at all, he lived shorter. This creates the situation that only those who are aware of opportunities and are able to exploit them, will survive. This short parable poses that entrepreneurial behaviour can not only be stimulated in practice, but can also be influenced negatively by using the wrong pedagogic instruments.

### **What is found in practice?**

With this knowledge, several universities designed educational tracks to gather information on this topic [36-38]. Many of the programmes are longitudinally monitored on the program-students as well as a control group with the conventional programme. Both groups consist of technical and business students. Preliminary results from these experiments show that there tends a positive relation between the achieved increased Entrepreneurial Intention [36] and entrepreneurial self-efficacy [37-39] can be taught to academic students with positive effect on entrepreneurial behaviour and success. For this reason, the adaption of entrepreneurial education methods can be fruitful for Business Management. In the last years, the European Commission acknowledged the importance of entrepreneurship in general and Entrepreneurial Education in particular. During 2004 and 2005, the OECD held an evaluation on the contribution of higher educational institutes toward the regional development, where Entrepreneurship came out as one of the most important elements [14]. In October 2006, the Norwegian government and the European Commission, established a framework to implement entrepreneurship throughout Europe [40]. Last year, this programme evolved to the Budapest Agenda on Entrepreneurship Education [41] where the roadmap for an European wide introduction on compulsory Entrepreneurship Education was focussed on teacher education. Later, in 2012, this Budapest agenda was extended to specific methods on how to realize this Budapest agenda [42].

### **Conclusions**

Based on the research described above, Business Management studies can benefit from entrepreneurship education methodologies. The current, old fashioned models, do not meet the actual business environment anymore. The adoption of an entrepreneurial approach of the learning process and the knowledge of entrepreneurial methodologies as effectuation seems to be practical aspects to start. Evidence from research on students as well as the actual policy of the

European Commission, indicates that this might be a good alternative to achieve or maintain an competitive advantage in business.

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