

# Theoretical Approaches to Defining the Essence of Entrepreneurship

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## Abstract

This article discusses and synthesizes various scientific approaches to defining the essence of entrepreneurship and the concept of an entrepreneur as an individual engaged in the entrepreneurial process. Emphasis is placed on the necessity of forming an entrepreneurship paradigm grounded in an interdisciplinary scientific framework.

**Keywords:** entrepreneurship, entrepreneur, entrepreneurship paradigm, entrepreneurial personality

### 1. Introduction.

Entrepreneurship is an integral element of national economic development in most countries worldwide and remains an indispensable attribute of a market economy. Consequently, many contemporary scholars regard the entrepreneurial component as a vital social and economic institution that plays a crucial role in establishing and maintaining the foundations of the market system.

### 2. Methodology.

The general research methods are comprehensive theoretical analysis, systematization, and generalization of existing scientific ideas concerning the subject under study. A special feature of this research is the application of an interdisciplinary approach, integrating insights from both economic and psychological scientific fields.

### 3. Discussion.

The phenomenon of entrepreneurship is widely represented in the works of scholars from various scientific schools and disciplines. The theory of entrepreneurship is characterized by its interdisciplinarity, as it is studied not only within economics but also in sociology, law, philosophy, history, psychology, and other fields. Therefore, it is essential to develop a unified paradigm of entrepreneurship as an integrative scientific discipline that synthesizes methodological approaches from various scientific disciplines and deepen scientific knowledge in this field. In our opinion, the entrepreneurship paradigm should be a theory that includes a set of generally accepted ideas about the key foundations of entrepreneurship and the development of scientific knowledge based on the expansion of conceptual views on this scientific problem.

The key foundations of the entrepreneurship paradigm in our opinion include the following:

- the definition of core concepts such as “entrepreneurship” and “entrepreneur”;
- the object and subject of entrepreneurship theory;
- classification and typology of initial categories;
- hypotheses regarding the processes involved in entrepreneurship, including assumptions about underlying patterns;
- the logical structure of entrepreneurship theory;
- statements and laws derived from the theory;

- the mechanisms of interaction through which entrepreneurship manifests and implements itself as an economic phenomenon;
- the methodology of entrepreneurship research.

In this article, we will highlight some approaches to the definition of the concepts of “entrepreneur” and “entrepreneurship” found in the scientific literature. In the research of economists, entrepreneurship is often considered as one of the factors of production. This approach is also noted by the authors of dictionaries and encyclopedias. So, in the Complete Encyclopedic Dictionary “Economics”, an entrepreneur is called an individual who unites and organizes the factors of production, creating an enterprise in order to make a profit. The dictionary notes that an individual can supply the factors of production (one or more) of the three existing ones (natural resources, labor, capital) himself, but can rent or buy them based on future profits. The function of the entrepreneur can be considered the fourth factor of production, calling it the “guiding will” [1, p. 156].

However, there is another point of view in the literature that we support. Thus, Mark Blaug in his work “Economic theory in retrospect”, analyzing the theory of profit, notes that in a state of long-term competitive equilibrium, the payment of each factor, including the employer of labor, is equal to the monetary value of its marginal product, and the entrepreneur does not get any remainder, and the profit is zero [2, p. 424], which is a reference to the concept of L. Walras. Blaug concludes that the idea of entrepreneurship as a factor of production, in addition to the generally accepted triad of land, labor and capital, is untenable. Entrepreneurship is a function that does not meet the conditions required to determine the “production factor”, the author notes. So, if an entrepreneur is a person, then there is room in the company only for a limited number of entrepreneurs, that is, it is a stretch to talk about entrepreneurs as representatives of a homogeneous group. Entrepreneurship cannot be finely divided into entrepreneurial man-hours or other units of measurement [2, p. 425].

In our opinion, entrepreneurship should be considered in an inextricable relationship between external and internal factors. Internal factors include the personality of a person who is an entrepreneur, and external factors include the capabilities of the external environment, which are formed in three main areas (society, economy, and the governmental policy). Scott Shane in the work “A General Theory of Entrepreneurship: The Individual–Opportunity Nexus” defines entrepreneurship as “an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed” [3, p. 4]. According to this definition, academic entrepreneurship research includes the study of the following issues: why, when and how entrepreneurial opportunities arise; the sources of these opportunities and the forms they take.; the processes of discovering and evaluating these opportunities; the acquisition of resources to use these opportunities; the strategies and organizational efforts used to find these opportunities; why some people can discover and use these opportunities while others cannot.

S. Shane identifies several necessary conceptual conditions for explaining the entrepreneurial phenomenon. “First, entrepreneurship requires the existence of opportunities, or situations in which people believe that they can use new means–ends frameworks to recombine resources to generate profit”. “Second, entrepreneurship requires differences between people” [3, pp. 6-7]. The author emphasizes that entrepreneurial opportunities do not lead to results by chance, but only when a person acts. Therefore, “variation among people in their willingness or ability to act influences the

entrepreneurial process". Thirdly, the burden of bearing the risk is necessary in the entrepreneurial process. Fourth, the entrepreneurial process requires organization, i.e. the creation of new ways to use entrepreneurial opportunities that did not exist before. Fifth, the entrepreneurial process requires some forms of innovation [3, pp. 7-8]. Thus, to explain entrepreneurship, Shane suggests an approach called the individual-opportunity nexus, which is based on the study and explanation of the "nexus of enterprising individuals and valuable opportunities" [3, p. 9].

The personality of a person as a "carrier of entrepreneurship" can be considered in several aspects. Thus, economists consider an entrepreneur as an owner of capital, an innovator, an organizer of an enterprise bearing the burden of risk and uncertainty of the external environment, etc. From the point of view of psychological science, the special personal qualities of an entrepreneur, entrepreneurial thinking and other cognitive processes, characteristic behavior, etc. are studied. From the standpoint of sociological science, an entrepreneur is considered as a member of society and a subject of public relations, a bearer of a special social status, possessing a certain social capital, exercising social mobility in a stratified society, etc. We believe that, considering the personality of an entrepreneur, it is impossible to ignore the legal aspect, which is determined by the legal context, which includes separate legal projections of the personality of an entrepreneur, presented in detail in the article [4].

#### 4. Results.

It is possible to identify common features and identify key competencies of entrepreneurship based on a generalization of the ideas of various authors, presented in more detail in the article [5]:

1. The entrepreneur's consent and willingness to take risks. The burden of bearing risk as a criterion of entrepreneurial activity, distinguishing it from other types of economic activity, has been noted by many scientists, starting with R. Cantillon [6]. According to the Belarusian sociologist O.V. Kobyak [7], entrepreneurs are characterized by a conscious increase in economic risk. Risk-taking fees are the basis of entrepreneurial income, so a conscious increase in risk, in our opinion, distinguishes entrepreneurs from other economic entities. The expediency of such a risk lies in the desire of entrepreneurs to extract economic benefits, and the key motive of entrepreneurial activity, obviously, is to generate entrepreneurial income.

2. Independent decision-making on the choice of economic alternatives and bearing property responsibility for these decisions and their consequences. Thus, such alternative decision-making lies at the heart of the principle of an entrepreneur's economic freedom in choosing areas and methods of activity, which means simultaneous responsibility for these decisions. Note that, in our opinion, an entrepreneur is responsible not only for the success of his personal business, but also for the guarantees he provides for employees or business partners.

3. Innovation. The idea that entrepreneurship is inseparable from the implementation of innovative activities, and the entrepreneur's behavior consists in the implementation of new combinations, i.e. the implementation of changes that can be identified not only with scientific and technological progress, but also organizational changes, was first put forward by J. Schumpeter [8].

4. Alertness, discernment in relation to the available market opportunities. The idea of such insight, or entrepreneurial alertness, was first proposed by I. Kirzner [9], who drew attention to the fact that entrepreneurs are characterized by the ability to realize the opportunities available in the market to generate entrepreneurial income.

5. Competitive attitude. From our point of view, competitiveness, the desire to fight over competitors is an essential feature of entrepreneurship.

6. Personal individual qualities that are characteristic of people who are entrepreneurs by nature. J.-B. Say [10] was one of the first scientists to mention entrepreneurial abilities. The literature highlights such qualities of an entrepreneur as dedication, initiative, flexibility, mobility, the ability to learn quickly, as well as high efficiency. These competencies of entrepreneurship, in our opinion, largely characterize an entrepreneur and his attributes as a “carrier of entrepreneurship”. They can manifest themselves with varying degrees of intensity depending on the specific market conditions, the specifics of the activity, and the personal qualities of the entrepreneur himself.

### 5. Conclusion.

Thus, entrepreneurship is a multifaceted economic and socio-cultural phenomenon. There are different approaches to defining the essence of entrepreneurship and understanding what an entrepreneur is as a business entity. In our opinion, it is necessary to develop a comprehensive paradigm of entrepreneurship, which is a set of key interdisciplinary approaches to defining the phenomenon of entrepreneurship. In addition, it is important to develop new scientific approaches to the study of the essence of entrepreneurship, corresponding to the current socio-economic stage of society's development.

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