

ECONOMIC PROCESS AND ENTREPRENEURSHIP

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Received July 2015; accepted September 2015

Abstracts

There is a robust body of knowledge around the theory of Entrepreneurship, but the lack of a comprehensive and widely accepted view to describe this phenomenon is obvious. There is two main streams in entrepreneurship literature, first the Schumpeterian view which emphasizes on ideas, innovation and creativity and second view, known as Kirznerian point that views opportunities of market as the core of entrepreneurship. This conflict can be easily understood from Kirzner's words that says "Schumpeter's entrepreneur, I pointed out, was essentially disruptive, destroying the pre-existing state of equilibrium. Entrepreneur, on the other hand, was responsible for the tendency through which initial conditions of disequilibrium come systematically to be displaced by equilibrative market competition", which are paradoxical to some extent. In this paper, author believes that there can be issued a new conceptual framework about the entrepreneurship. This framework views entrepreneurship in an economic, product-transaction-based process. The value of entrepreneurial activities is arisen from mutual interests of human beings, which is the neglected part of Schumpeter and Kirzner's views to the phenomenon Entrepreneurship.

Conceptual paper

Keywords: *Economic process, Entrepreneurship, Innovation, Opportunity and value creation*

Reference to this paper should be made as follows: Rezaei Mirghaed, M. (2015). "Economic Process and Entrepreneurship", *Journal of Entrepreneurship, Business and Economics*, Vol. 3, No. 2, pp. 86–109.

Introduction

Entrepreneurship arose from economics, but gradually was developed as an independent discipline. Policy-makers are less concerned about entrepreneurship and business environment. They are mainly concerned with fiscal and monetary policies. This paper provides a different view on entrepreneurship and attempts to establish a closer relationship between entrepreneurship and economics. This way, the attention of economic scholars and policy-makers is drawn more to entrepreneurship. On the other hand, entrepreneurship lacks a general theory agreed on by all the experts in this field. The field of entrepreneurship continues to struggle with development of a modern theory of entrepreneurship (Gartner, 2001). Alvarez (2005) argues that despite the attempts of many entrepreneurship scholars, there continues to be lack of consensus about what constitutes entrepreneurship theory and no generally accepted theory of entrepreneurship has emerged. The second aim of this study is to make a contribution to achieve a widely held view of entrepreneurship.

Through combining creation (Schumpeterian) and discovery (Kirznerian) views, is attempted to develop a comprehensive entrepreneurship theory. Alvarez (2007) addresses creation and discovery theories in entrepreneurship from teleology perspective. He argues that both (Schumpeterian) creation and (Kirznerian) discovery theories are teleological aspects of the same theory and have much in common. He believes that the basic assumptions in creation are internally consistent with those of discovery theories, however, there is obvious contradiction between the two theories. Therefore, according to Alvarez, entrepreneurs need to recognize these contradictions in practice and decide based upon the status quo. He argues that the set of assump-

tions applied have only empirical implications: "Discovery theory suggests that certain actions are more likely to be effective than creation theory, and vice versa". Alvarez's theory is more a method for discovering and exploiting opportunities. His theory does not explain the relationship between entrepreneurship and opportunity.

While Schumpeterian view focuses idea and innovation, Kirznerian view emphasizes entrepreneurial opportunities. Although the followers of the two views have developed and expanded the above theories, yet these theories face some problems. In fact, instead of market information, Schumpeter (1934) emphasizes the insights of entrepreneurs and argues that "the success of everything depends upon intuition, the capacity of seeing things in a way which afterwards proves to be true....(Schumpeter, 1934). This is one point of disagreement between Schumpeterian and Austrian entrepreneurship. Many Austrian economists emphasize the learning capacities of market processes and conformity of behaviors and reactions of individuals to market changes. In the Schumpeterian view, this is the typical characteristics of individuals that leads businesses in normal conditions, not the characteristics of an entrepreneur who is considered an innovative individual (Croitoru, 2012). However, the disagreement between the two views is more than their difference in taking psychological approach toward entrepreneurship. With regard to this difference, Kirzner (1999) argued that "Schumpeter's entrepreneur was essentially disruptive, destroying the pre-existing state of equilibrium. My entrepreneur, on the other hand, was responsible for the tendency through which initial conditions of disequilibrium come systematically to be displaced by equilibrative market competition". In the same paragraph, he adds: "still I believe these two views contradict" (Kirzner, 1999).

The main purpose of this study is to analyze and criticize the views of Schumpeter and Kirzner. We argue that there might be another framework for analyzing other entrepreneurship views. Their views are not discarded but are used in a more general model. Both Schumpeter and Kirzner's views could be right in certain conditions. However, none of the above-mentioned views could be a general theory of entrepreneurship. The economic process in this study includes production and exchange and is capable of analyzing the forces affecting supply and demand and identify their relationship with entrepreneurship. Economic process embodies both Schumpeter and Kirzner's theory. First, the entrepreneurship literature is reviewed. Afterwards, Schumpeter and Kirzner's views are analyzed. The relationship between entrepreneurship and value creation and economic process is addressed in the third section. Finally, a model is proposed for studying entrepreneurial opportunities.

The Entrepreneurship literature

Entrepreneurship arose from economics. Economists have dealt with entrepreneurship before others. Scholars such as Cantillon (1755), Menger (1871), Schumpeter (1934), von Mises (1998) and Kirzner (1973, 1999) are among the distinguished economists who have discussed entrepreneurship. The present study only considers those entrepreneurial theories that relate to the subject of the paper. Therefore, other theories are not included here. Menger's insights exerted an influence on Schumpeter and von Mises's ideas have affected Kirzner. Therefore, they are considered here.

Entrepreneurship and Economic Activity

In Principles of Economics, Menger states that "the process of transforming goods of higher order into goods of lower order,...must always be planned and conducted, with some economic purpose in view, by an economizing individual. He has to provide higher order goods including labor services required for product development through economic calculations. These tasks are referred to as entrepreneurial activities. Each of them is an entrepreneur, however, not because of his technical participation in the production process, but because he makes not only the underlying economic calculations but also the actual decisions to assign goods of higher order to particular productive purposes" (Menger, 1871). Obviously, Menger views entrepreneurship from the management of production aspect. Menger not only sees no relationship between entrepreneurship and market, but also argues that entrepreneurship is not associated with risk aversion; The possibility of facing a risk for an entrepreneur is as much as his chances for achieving success.

Entrepreneurship and relative foresight

Von Mises, the other view, believes that uncertainty plays a crucial role in entrepreneurship. According to Von Mises, if we can estimate the future structure of a market, then future could not be uncertain. there would be, Otherwise, no entrepreneurial profit/loss. With regard to knowledge and cognitive privilege, Mises states that:

“Every business, in seeking to avoid losses, needs to know when the situation is normal, i.e. when other businesses think downfall would occur later than what they expected. Taking advantage of this privilege provides

him chances to organize his actions in a way to avoid loss (Mises, 1949). Von Mises believes entrepreneurship arises as the result of the foresight of some:

"We might not say foresight generates profit, rather, we should say foresight better than others generates profit. Only those opponents are awarded that are not misled by the mistakes made by other people. What generates profit is readiness for a future ignored by others. When entrepreneurs and investors understand their financial happiness, it would be manifested in their plans. They would never put themselves at the risk of giving their lives for consulting others" (Mises, 1949). According to Mises, entrepreneurship is understanding the future, foresight and providing conditions for the activities that are ignored by others. Therefore, if foresight preparation, and uncertainty are the same for everyone, entrepreneurial profit and loss would be meaningless.

The study of the above-mentioned scholars reveal that Menger put emphasis on relationship between entrepreneurship and production and risk aversion. Meanwhile, von Mises relates entrepreneurship to relative foresight, uncertainty, and market conditions. Through his innovation theory, Schumpeter studied the production aspect of entrepreneurship through which he got closer to Menger's theory. However, Kirzner focused on entrepreneurial opportunity in market process, related entrepreneurship to demand and, thus, got closer von Mises's theory. The next section analyzes these two views.

Entrepreneurship, Innovation and Alertness

Kirzner (1999) in his Reconsideration article argues that: “The result of reconsideration for me is not to promote a harmony between the two entrepreneurial concepts, it is rather to provide a better understanding of these two portrayals to affect our understandings of economic development and different aspects of capitalists economy”. According to Kirzner (1999), *Reconsideration* in its very outset is summed up in four propositions:

- 1- For understanding the psychological profile typical of the real world entrepreneur as we know him, Schumpeter's portrayal is valid and accurate.
2. For understanding the "creative destruction" which Schumpeter sees as the central and distinguishing feature of the capitalist system, Schumpeter's portrayal is valid and essential.
3. For understanding the equilibrative tendency of markets in general, my own view of the entrepreneur as alert to opportunities is valid and significant.
4. To see the entrepreneurial role of a real-world entrepreneur as essentially that of being "merely" alert to opportunities create (or able to be created) by independently initiated changes, is not necessarily inconsistent with the Schumpeterian perspective (Kirzner, 1999).

Kirzner's retreat from his original theory is a contradiction in terms. On the one hand, he argues that his portrayal is contradicts that of Schumpeter. On the other hand, with regard to his fundamental entrepreneurship concept, i.e. entrepreneur alertness, he argues that his view does not contradict Schumpeterian entrepreneurship (new created opportunities). However, if we take for granted that Kirznerian alertness does not contradict Schumpet-

erian creativity and innovation, their different views on equilibrium remains unanswered. Kirzner's confusion arises from his lack of clarity and his ambiguity toward value creation and economic equilibrium.

Innovation

Some view Schumpeter as the prophet of innovation (McCraw, 2009). In discussing entrepreneurship, Schumpeter (1934) emphasizes innovation and new combinations. He believed that the basis of production lies in new combinations. These new combinations are only feasible through entrepreneurship. Entrepreneurship incorporates innovation and new combinations such as new products, new methods of production, new materials, new market or new organizational structures in the industry. Entrepreneurship is not essentially equivalent to the capital used in a new combination, for it can be acquired through credit. In his view, any individual who decides to become an entrepreneur only requires will and action (Schumpeter, 1934). With regard to Schumpeterian entrepreneurship and market, Croitoru (2012) believes that the Entrepreneurs' main distinctive features are linked with their courage for 'carrying out a new plan' even if they do not have complete knowledge of the market situation. Therefore, Croitoru concludes that this marks one of the differences between Schumpeterian and Austrian schools on entrepreneurship. Many Austrian economists emphasize the learning capacity in the markets processes and adapting behaviors and reactions based on market change. While In the Schumpeterian perspective these are simply features of the individuals who conduct their businesses in a routine phase and certainly not distinctive characteristics of the entrepreneur viewed as an innovator(Croitoru, 2012). Schumpeterian entrepreneurship happen when

market is in a state of equilibrium where no change is observed among competitors or alternative products. There is no room for those who want to enter the market. Therefore, they should disturb the equilibrium with creativity and try to create new demands with innovativeness.

” a distinct phenomenon, entirely foreign to what may be observed in the circular flow or in the tendency towards equilibrium. It is spontaneous and discontinuous change in the channels of the flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previously existing (p 64). Schumpeter (1934) believes that it is the producer that starts the economic change as a rule. The consumers learn through him what to demand. He argues that: “it is, however, the producer who as a rule initiates economic change’ and consumers are educated by him if necessary; they are, as it were, taught to want new things”. (Schumpeter, 1934). In this way, the supply curves are activated through entrepreneurial innovations, whereas the demand curves become passive. Of course, this argument by Schumpeter brings Say’s law to the mind in which supply determines the demand. Nonetheless, Schumpeter gives up the equilibrium argument and regards it as an obstacle to development. However, he does not specify how much of the market demand it is affected by innovation and how?

Entrepreneurial discovery

Despite Schumpeter, Kirzner (1973) views entrepreneurship from the aspects of demand, market and opportunity discovery. He emphasizes alertness to and entrepreneurial discovery in market process. "Once we become sensitive to the decision-makers' alertness to new possibly worthwhile ends and newly available means, it may be possible to explain the pattern of

change in and individual's decisions as the outcome of a learning process generated by the unfolding experience of the decisions themselves". Kirzner (1999) argues that as a consequence of entrepreneurial discoveries in the market process, markets tend continually toward the equilibrium. These discoveries are the result of earlier errors made in market exchanges. He believes that individuals in markets are either over-optimistic or over-pessimistic and decide upon these conditions. Therefore, a fluctuation is produced in the optimum level. According to Kirzner, errors in the optimum inevitably become barriers to the realization of plans. As the result, plans are scrapped and removed from the market. In addition, he addresses the main prerequisite to equilibrium, i.e. full alertness to the actions of other entrepreneurs, and argues that this prerequisite is accomplished through the entrepreneurial role of the entrepreneur which is discovering the errors in market and keeping the participants aware and alert on a timely basis. Entrepreneurial role is "that of discovering and alertly noticing where these errors have occurred." The consequences of these discoveries could be used for nudging the market systematically toward greater mutual awareness. Consequently, he criticizes the neo-classical microeconomics and argues that the mainstream neoclassical microeconomics, with Walrasian general equilibrium theory in the focus, has failed to provide a sufficient understanding of the theoretical framework and what happens in markets (Kirzner, 1997).

According to Kirzner, the gap between supply and demand is not filled suddenly, but is filled during a systematic process. In other words, entrepreneurial discovery includes coordinating the information obtained from the gap between supply and demand. Through this discovery, entrepreneurs

earn profit. Therefore, the Kirznerian entrepreneur takes advantage of entrepreneurial alertness to identify the available opportunities and earn profit. Through exploiting such opportunities, entrepreneurs help restore market equilibrium and reap profit. Entrepreneurs assume that an economic status is established from an state of non-equilibrium. That is, there exist unfulfilled demands to satisfy. One could earn market share even with old innovations and current and typical technologies. The key here is understanding the market conditions and the gap between supply and demand. Supply follows demand and economy equilibrium is reached. This raises the question, why we should not think that the disruption of previous economic equilibrium is the result of a new innovation. Why not new opportunities are created from innovations? Was the equilibrium not disrupted, new opportunities were not created? Kirzner (1973) argues that in discovery theory, competitive imperfections arises from technological changes, consumer preferences, and other industry and market conditions. But how does imperfect compition relate to opportunity?

Shane (2003) focuses on technological, political and social changes which disrupt market/industry equilibrium and shape opportunities as external factors (Shane, 2003). However, the exogenous changes forming opportunities, affect both supply and demand. On the other hand, numerous technological changes have their roots in entrepreneurial innovation and creativity. Kirzner and Shane studied the effect of environmental changes as well as external factors on opportunity creation, however, they have not provided theoretical relation about the effect of factors of production sid, like as innovation and creativity, on opportunity creation.

Special vs. general entrepreneurship

Schumpeterian and Kirznerian entrepreneur each consider a part of opportunity conditions as fixed and determined to define entrepreneurship in a specific scope. This over-simplification has narrowed their theories and changed them into a particular entrepreneurship theory. In Schumpeterian entrepreneurship, demand and market are passive and are affected by entrepreneurial innovations. In this view, innovation creates opportunities. That is why Schumpeterian entrepreneur deals with creativity. The Kirznerian entrepreneur, on the other hand, assumes supply and production as determined and expected. One needs to find demand and an appropriate market. Therefore, while Schumpeter's entrepreneur is more productive and entrepreneurial, the Kirzner's entrepreneur is more commercial. Since entrepreneurship could not be limited to a proportion of economic activities and ignored in one sector, none of the theories above is a comprehensive theory of entrepreneurship. They, rather, are specific forms of a general theory. A general theory of entrepreneurship is the one which considers entrepreneurship in all economic activities including production and exchange or in supply and demand side of market. Therefore, both Schumpeter's and Kirzner's theories are special states of the general theory of entrepreneurship.

Entrepreneurship and Economic Process

Entrepreneurial opportunities

One of the most important barriers to developing a conceptual framework of entrepreneurship is the a lack of consensus on the exact meaning of entrepreneurship (Shane, 2000). Through defining opportunity or different types of opportunity or "discovering and exploiting opportunity", numerous

scholars have tried to find a way to define entrepreneurship. However, leaving many questions unanswered, most of them are stocked in a complex conceptual maze.

If we agree with Casson's (1982) discussion that entrepreneurial opportunities is to produce and sell new products, services or new material at a higher price, we have to face the question; Where is the origin of this difference in prices and opportunities? Shane and Venkataraman (2000) argue that the existence of opportunities in market is either determined or affected by external factors. Therefore, entrepreneurship is the discovery, evaluation and exploitation of opportunities by individual groups (Shane and Venkataraman, 2000). Thus the origin of price differences is the environment conditions. Is this true? It is not.

Entrepreneurship and surplus value

"According to the definition by Casson, entrepreneurial opportunities are the difference between production cost and market price. This value difference is called surplus benefit. Therefore, entrepreneurial is defined in terms of surplus benefit or value. With regard to surplus value two states are possible: One state in which, when market prices are fixed, as the result of innovations and creativities, costs are reduced. In this case, the value difference is the result of innovation and production change. In the second state, innovation is not change but, a new alertness emerges in which prices and their conditions are improved. In this case, being alerted in finding the gap between supply and demand leads to entrepreneurial opportunities. In fact, we can conclude that entrepreneurial opportunities being the value difference and value surplus between services and products, arises either from innova-

tion (Schumpeterian state), or new market discovery and new information about a market (Kirznerian state). Therefore, why entrepreneurial opportunities ought to limit to one of the states described above?

Entrepreneurship and value creation

Economic process includes production and exchange (Rezaei, 1994). That is, it involves the interaction between enterprise and consumers. When products and services are not exchanged, no economic activity is performed. In other words, when products and services are not exchanged, surplus value is not created. Therefore, any economic activity is the result of an economic process which includes production and exchange. Surplus value is created during an economic process (Rezaie,1994). When the created value is more than the lost value profit is earned, otherwise, the result is a loss. Therefore, economic activities including production and exchange are the roots for value creation. Economic processes include division of labor and production on the one hand, and market demand on the other hand. Economic process include production side, like Innovation, thecnology, expert, and factors of demand side, like foresight, alertness, information.

Each part plays a role in creating value. Innovation affects production and market opportunity discovery affects exchange. Therefore, innovation and market opportunity discovery affect economic processes and value creation, and therefore, economic opportunities. Therefore, an economic process involves both opportunity types. Any human effort to develop a positive and new change in the economic process, a change in production or information acquisition and market awareness leads to value creation and, therefore, is an entrepreneurial activity. Therefore, entrepreneurship is changing the eco-

conomic process which leads to the generation of a surplus value. Such change is made in all or parts of an economic process. A change in providing the resources and materials, production methods and processes, alternative marketing methods are entrepreneurial activities if they lead to the generation of surplus value. In this case, entrepreneurship includes creation and exploitation of opportunity and value creation. Innovation, developing new products and services, using new production methods, new technology and etc. results in opportunities from the production side. The discovery of market demands, customer preferences and new purchasing power, leads to exchange opportunities. We can argue that the economic process includes entrepreneurial opportunities both in production and exchange sides. When new products and services are developed using new methods, economy is moved from the state of equilibrium. Through discovering the needs and tastes of customers, or new customer demand, and product exchange, economy reaches a new equilibrium. Therefore, an economic process is one which moves the economy from one equilibrium position to another. In Schumpeterian terms, distorting the current equilibrium is not only bad, but also it can open new sources of profit. However, when such condition, in Kirznerian terms, does not lead to equilibrium, not only the situation is not improved, but also the non-equilibriums could lead to depression and be a new detriment to society.

Indogenous and exogenous opportunities

Economic process is affected by the inside, like psychology, factors such as aspiration, mind or tastes. If these factor change by the agents theirself without inviormental condition they make indogenous opportunity. But the

environment condition could affect the economic process and result in exogenous opportunity. If we accept that all the parts of an economic process, from production to exchange, are affected by environmental conditions, we need to accept that entrepreneurial opportunities, whether first type opportunities (innovation) or second type opportunities (market opportunities), are influenced by environmental factors. These conditions which change the opportunities are *entrepreneurial environment conditions*.

Opportunities which are created as the result of political, social, economic factors from the outside of the economic process, are called exogenous opportunities. Both opportunity types generate value provided that they are exploited. Therefore, opportunities are the result of internal or external factor of economic processes. However, as long as an opportunity is not created and exploited, it has no entrepreneurial value. Entrepreneurship is: the creation and exploitation of opportunities in economic processes; or the creation and exploitation of opportunities affected by the economic agents or environment. In both cases, entrepreneurial value is created. In the first case, environment has no effect on the economic process. In the second case, opportunity is created by the environment and through inside factors in the economic process. Entrepreneurs exploit and discover these opportunities. Therefore, internal or external economic opportunities, are created and exploited by entrepreneurs.

Entrepreneurship vs. social welfare surplus

Entrepreneurship is associated with creating surplus values (as the result of innovation) and thus creation and exploiting market opportunities. However, one should not assume that the values generated during an economic process

is solely for the entrepreneur or shareholder. Rather, customers and consumers also, by participation in exchange, take advantage of the values and opportunities. Values and opportunities created during an economic process are distributed among all of players in market, such as suppliers and consumers. Therefore, in every economic process, consumer's surplus and supplier's surplus is created. Supplier's surplus is the value surplus obtained by a supplier from the market which equals the difference between the market value of a product which would he would receive if the products was not distributed to the market (Rezaie, 1994). Marshall defines consumer's surplus as "the excess of the price which he would be willing to pay rather than go without the thing, over that which he actually does pay pay, is the economic measure of this surplus satisfaction. It may be called *consumer's surplus*", he argues (Marshall, 2004). It may be called the benefit which he derives from his *opportunities*, or from his *environment*; or, to recur to a word that was in common use a few generations ago, from his *conjuncture*". If consumer surplus is the result of an opportunity or the environment (here market), the question is raised who and how the opportunity is created. Marshall has no answer for this question. The economic process theory answers this question and the answer is that opportunities and values formed during an economic process is distributed between suppliers and demanders. Therefore, in each economic process consumer's surplus and producer surplus is created. Producer surplus is the surplus value earned by the producer from the market and is the difference between the amount producers get for selling a good and the amount they want to accept for that good. Therefore, market value or the product prices mediates the services between the values of customers and sellers and the social welfare resulted from labor distribu-

tion and transaction between the two parties is distributed. These social values are the results of entrepreneurship.

Entrepreneurship model

Through innovation and creativity, entrepreneurship reduces the production costs. Therefore, production is affected by entrepreneurial action. On the other hand, new or current products with new prices affects the relative prices of the market and increases the demand. Identification and filling the gap between supply and new demands leads to value creation both for the producers and the customers.

The economic process is located between two equilibrium positions (Rezayi, 2014). To understand the issue better, we have compared and contrasted the Schumpeterian and Kirznerian entrepreneurship in figure 1.

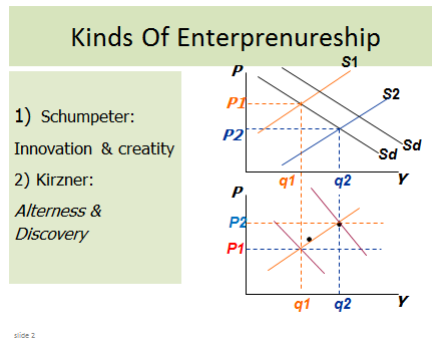


Figure 1. Schumpeterian versus Kirznerian kinds of entrepreneurship

As it is shown in figure 1, in the above diagram innovation has led the supply curve to the right which has also affected the interests and preferences of the customers. However, only a part of this effect is clear in Schumpeterian entrepreneurship. Therefore, demand goes up to an indefinite limit and thus prices are not formed according to an equilibrium state. Meanwhile, as we

see below, entrepreneurs find new opportunities through discovering the gaps in a given market and achieve a new equilibrium state through the point (K).

Complete entrepreneurship is explained in figure 2; as the result of innovation and creativity, Schumpeterian supply and demand curves are created in market (d2 and S2 in figure 2). Afterwards, as the result of Kirznerian opportunistic activities, the potential gaps in a market are detected and the demand curve (d3) is identified and a new equilibrium state is formed. Therefore, complete entrepreneurship which includes innovation and creativity moves the economy from a current equilibrium state to a new equilibrium state. Therefore, we see the below effects in the economy.

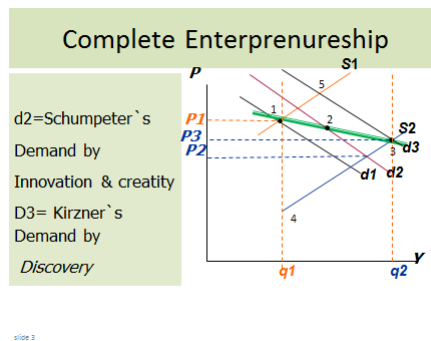


Figure 2. Complete entrepreneurship

a – Social welfare surpluses in the size of trapezoids (1, 2, 3, 4, 5) are increased.

b- Consumer surplus is a triangle (1, 3, 5) and producer surplus is as (1, 3, 4). This is because it is the line (1, 2, 3) which determines the transaction path, not the price line (p3). Kirzner's entrepreneurship discovers the gaps between supply and demand and gives some alerts and therefore, transac-

tions are moved from the current price (p1) to the final price (p3) in the end of economic process.

Economic process and profit

Each economic process creates value. If the values earned in the production and transaction processes are more than the lost values, the result is profit achievement; if it equals the lost values the costs are compensated and if it is less than the lost values, the result is a loss. Since, in each economic process occurs in a given period of time, entrepreneurs try to maximize their profit in that period. Each period could involve numerous economic processes. If we take each economic process as (t) and the planning period as (Table) where:

A logical model of entrepreneurial behavior

Since all economic processes take place during a period (dt), entrepreneurs try to achieve the maximum profit during a determined planning period (ΔT). Each planning period might include multiple economic processes such that:

$$dt \in \Delta T \quad \forall dt \leq \Delta T$$

If we assume the economic process as (EP), and the surplus as (S), and if we assume that the planning period includes (n) economic processes, values earned as (V3) and values lost as (V1), we can write the following statement:

- 1) For an economic process, the surplus value for an entrepreneur is:

$$S = V3 - V1$$

which shows the surplus value/profit of a given economic process. This profit in an economic process might be zero, negative or positive.

- 2) Entrepreneurs aim at maximizing their profits in a planning period (with return on investment and compensate the investments and expenses) which is composed of multiple economic processes. Therefore, for every process in a planning period (business) (ΔT), we have:

$$\text{Max } S = \int_{dt=1, \dots, n}^n (V^r - V^i) d(dt)$$

In this case an entrepreneur would try to maximize the profit earned from overall economic process (n) during the planning period (ΔT). Another strategy would be that an entrepreneur manages his profit to maintain his market share.

That is, the entrepreneur does not earn profit (π) higher than a specific amount (\emptyset) to maintain his market share above (Ω). Therefore:

$$\pi \leq \emptyset \leftarrow \delta \leq \Omega$$

The above statement suggests that entrepreneurs' purpose is to maintain their market share. In this case, they might try to earn proper profits above the expected target.

The factors affecting entrepreneurial values

Let's assume a condition in which there are other similar entrepreneurs. Therefore, competition takes place in the market. Each competitor aims at increasing his market share. Accordingly, entrepreneurial value (S) is influenced by innovation and market opportunities. Therefore, innovation (In), competition (Co), consumer tastes (Ta), and market information (IF) are the main factors maximizing entrepreneurial values. Innovation, creativity, and idea generation by entrepreneurs leads to reducing the costs and improving the quality of products and services. Innovation and creativity can neutralize the effect of competition. Therefore, entrepreneurial surplus value equation could be written as:

$$S = S (In^+, C^-, Ta^+, IF)$$

The entrepreneurial surplus value shows a positive relationship with innovation and taste; a negative relationship with competition; and a negative/positive relationship with market information.

If we take external opportunities originating from an environmental factor during the economic process, and call that factor (β), the formulation would be as bellow:

$$S = S (In^+, C^-, Ta^+, IF, \beta)$$

Here, a change in the environmental factor affects opportunity creation. Of course, the environmental factors are not always in line with opportunities. Government interventions might reduce economic opportunities. (β) includes all politic, economic, cultural and social factors affecting surplus value as external factors and opportunities.

If we assume internal factors as (α), then $S = (\beta, \alpha)$ indicates that surplus value is the result of internal (α) and external (β) opportunities created, discovered and exploited by the entrepreneur.

Conclusion

While Schumpeter's entrepreneur is only concerned about one aspect of the economic process, i.e. innovation and production, Kirzner's entrepreneur is concerned with another aspect, i.e. market opportunities and demand. These theories are true only in certain situations, therefore we call them specific entrepreneurship. Obviously, they could not be used interchangeably, i.e. each is capable of analyzing particular conditions of the economy and market. This study discussed general entrepreneurship which includes both specific entrepreneurship types. Entrepreneurship includes any change in the economic process which generates surplus value for economic enterprises. General entrepreneurship process moves the economy from an equilibrium state to another as the result of which new values are generated. The values are distributed among entrepreneurs and customers through market mechanism. Therefore, social welfare surplus is the outcome of entrepreneurship. The current paper aimed at filling the gap between the theoretical foundations of entrepreneurship and economics.

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