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**Rural Entrepreneurship and Regional Development**

by

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**Abstract**

Entrepreneurship accepts various meanings and has been assigned a wide range of definitions in the international scientific literature. Contemporary rural development policies treat entrepreneurship as a core element of the sustainable growth of lagging, mountainous, less-favoured areas. However, it seems that regional policy has adopted a rather fragmented and spontaneous approach to fostering entrepreneurship.

In this paper, we review the various definitions of entrepreneurship and examine whether current regional and rural development policy instruments stimulate entrepreneurship. Evritania, a mountainous region in Greece has been selected in the framework of the European Union Research Project (EMASE) as a case study area. Past and current development efforts are reviewed to reveal the context for supporting entrepreneurship. More specifically, the regional development frameworks up to 1997 and the rural development schemes are included.

The Greek regional and rural development policy has not adopted a clear definition of entrepreneurship. Consequently, development efforts are fragmented and support to entrepreneurs is provided in a spontaneous way without continuity in time and without a place in a wider development plan

## **Introduction**

Economic theory has neglected the role of the entrepreneur for a long time. Some economists imply that there is no room for the entrepreneurial function in economic theory. This implication is understandable in the case of classicists and the supporters of the theory of the firm. For Kirchhoff the main reason for the disappearance was the separation of macro- and microeconomics and the domination of equilibrium models that lead to the “death: of the entrepreneur. Others contend the omission results because the entrepreneur creates disequilibrium, and economic models seek to describe equilibrium (Julien, 1988). Most economists would think that in order to explain entrepreneurial behavior, one ought not to take into account the personality structure of entrepreneurs, nor their motives behind their general interest in maximizing their profit. McNamara and Seifarth (1987) conclude that economic theory can be applied to entrepreneurial processes as it can explain why increased economic activity in a given locality generates new ventures by increasing access to services, while decreasing the costs of them.

Entrepreneurship is an elusive concept. It is the ability to marshal resources to seize new business opportunities. Entrepreneurship defined in this broad sense is central to economic growth. The term has been used in a variety of ways and contexts. It has had two principal uses in recent years, firstly as a description of the creation and growth of new and small businesses. Secondly as a description of a more general business characteristic which denotes a willingness to take risks, to innovate and to take initiatives so as to exploit in the best way business opportunities. The first concept is the most widely used. Indeed, many governments have sought to encourage the start-up, growth and survival of small businesses through a wide range of support measures. The second concept of entrepreneurship has received less attention.

The specific characteristics that distinguish the group of businessmen are many and have been the subject of detailed inquiry. They include attributes such as foresight,

imagination, intelligence, decisiveness, alertness, and an aptitude for organization (OECD, 1988).

## **2. A Conceptual Framework of Entrepreneurship**

Many economists, sociologists and psychologists, entrepreneurship is the qualities that set the latent entrepreneur by some aspects apart from the others. The first qualities are self-confidence, risk taking and good imagination or at least capacity which can glimpse an interesting economic opportunity. The second (innovation, high level of information) enable the entrepreneur to go from the potential to the realisation. (Julien, 1988).

Various authors have emphasized different facets of entrepreneurship which correspond to different stages of the entrepreneurial process. The first stage could be defined as the conception of the idea and it is related to the perception of an economic opportunity. More specifically, the entrepreneur has the ability not only to perceive/create an opportunity but also to perform innovations.

Schumpeter suggested that the entrepreneur wasn't like "heads of firms or managers or industrialists who merely may operate an established business." The entrepreneur's challenge was to find and use new ideas to jostle the economy out of repetitive cycles of activities. As socio-economic innovators entrepreneurs were different from speculators and investors, they were creators of new business combinations. "...And what have they done: they have not accumulated any kind of goods, they have created no original means of production, but they have employed existing means of production differently, more appropriately, more advantageously. They have carried out new combinations. They are the entrepreneurs and their profit is the entrepreneurial profit." He opposed the idea of entrepreneur as a risk-bearer or capitalist and he integrated psychological theory in the economic theory of entrepreneurship. The entrepreneur must be a leader so as to "lead" existing means of production into new channels. Furthermore, entrepreneurs perform their task motivated by some special characteristics such as:

- The dream and will to found a private kingdom in order to achieve social distinction.
- The will to conquer, to fight, to prove oneself superior to others, to succeed for the sake of success itself.

- The joy of creation, of getting things done

Schumpeter (1942) criticized Knight for not distinguishing between the entrepreneur and the resource owner. For Schumpeter risk was not essential in the concept of entrepreneurship unless the entrepreneur is identical with the resource-owner. The entrepreneur was not the risk-bearing but the driving force of the economic development. He concentrated on how the entrepreneur acts and listed five categories of action that are covered by the concept of innovation: a) The introduction of a new good with which consumers are not yet familiar or quality of a new good b) The introduction of a new method of production-something as yet untried in the industry. This can be a new discovery or a “new way of Handling a commodity commercially” c) The opening of a new market, regardless of whether it has existed before in other locations d) The utilization of some new source of supply for raw materials or intermediate manufactured goods e) The carrying out of some new organisational form of the industry. Thus, entrepreneurship is defined as the carrying out of new combinations. For Schumpeter, the entrepreneur does not invent or find the opportunities but it is his role to make them living and realise them. He also believed that the entrepreneurial traits are not teachable and only a small percentage of individuals within a population has these abilities. The entrepreneur is motivated intrinsically, and not by profit or luxury. His motivation comes from the dream and the will to found his own kingdom, the will to prove oneself superior to other and the joy of creating. Knight considered the entrepreneur’s role as dealing with risk in which entrepreneurship is inseparable from control of the firm.

Penrose (1968) outlined a general theory of the growth and development of enterprising firms possessing or able to attract competent management. For Penrose, a business firm is both an administrative organisation and a collection of productive resources whose function is the portioning out of economic resources among various demands for both production and consumption. It is the entrepreneurial services that are required for growth and development. “Entrepreneurial services are those contributions that relate to the introduction and acceptance on behalf of the firm of new ideas, with respect to products, location and technology, to the acquisition of new managerial personnel, to fundamental changes in the administrative nature of the firm, to the raising of capital and to the creation of plans for expansion. Entrepreneurial services are contrasted with managerial services that are linked to the execution of entrepreneurial ideas and to the supervision of existing operations.” Penrose stresses that the entrepreneur is in need of a number of talents. He must have the imagination and the

vision to develop the innovations needed to keep the firm versatile and opportunistic, and he must also possess fund-raising ingenuity, entrepreneurial ambition and entrepreneurial judgement. The latter is closely related to the organisation of information-gathering and consulting facilities within the firm. According to Penrose, the entrepreneur is not an innovator from the point of view of the economy as a whole, but from the point of view of the firm.

Israel Kirzner developed a complementary notion to the Schumpeterian deal of entrepreneur. The entrepreneur functioned primarily as an equilibrating force that smoothes out market imperfections through various activities. Kirzner placed more emphasis on explaining the entrepreneurial process. The entrepreneur is a perceptive individual relying for profit opportunities upon an ability to spot underpriced products or factors of production in certain markets. “Entrepreneurial profit opportunities exist where people do not know what it is that they do not know, and do not know that they do not know it.” According to Kirzner, entrepreneurship begins and ends with opportunities. Kirzner’s entrepreneur is an opportunity identifier and not an organisation builder. “If people know that a gap needs to be filled and that it is worthwhile to fill, the task is no longer entrepreneurial, it can be handled by competent managers through routine production methods.” Kirzner (1973) described the entrepreneur as the central element in the market process. He is the person who is alert to discover and exploit profit opportunities. Market prices are not equilibrium prices and it is not only demand and supply that determine the price but the entrepreneur who discovers information asymmetries and by undertaking the initiative he leads the market towards equilibrium. Profit opportunities include making a profit out of: a) buying at one place and selling at the other; b) buying in one period and selling in the other; c) buying inputs and selling outputs. Entrepreneurship requires also a specific type of Knowledge: “The kind of knowledge required for entrepreneurship is knowing where to look for knowledge... The word that captures most closely the notion of it seems to be alertness.” For Kirzner, the entrepreneur possesses creativeness and leadership while he is able to learn from his mistakes. Finally, entrepreneurs are the most alert persons either by nature or because they are highly interested in profits.

Entrepreneurship has also been defined as a characteristic or set of characteristics associated with persons who possess the drive, capabilities and organisational skills to obtain and manage the variety of inputs necessary to undertake a business successfully. The dominant feature of entrepreneurship is the process whereby

an intangible idea is transformed into an operational enterprise. This incorporates an element of innovation which is the entrepreneur's basis for believing that the enterprise has a competitive edge which will enable it to succeed. At this stage additional inputs such as financial support from public and private sources, spinoffs of university research, managerial assistance, and skilled labour have emerged (Quinn, 1985).

More recently, Holmes and Schmitz (1990) and Baumol (1990) characterised entrepreneurs as people who respond to the opportunities for creating new products and services that arise due to technical progress and they stress that entrepreneurial abilities differ between individuals. The term "entrepreneurial abilities" is used to include all the skills possessed by a person that contribute to his/her productivity on the job and deal with opportunity recognition and screening, business planning, creative problem solving, strategic marketing, financial management, human resource management and leadership skills. In 1998, Baumol proposed "how the entrepreneur acts at a given time and place depends on .. the reward structure in the economy.. or the prevailing rules of the game that govern the pay-off to entrepreneurship." In defining entrepreneurs as persons who are ingenious, creative in finding ways to add to their own wealth, power and prestige, he is suggesting that individuals choose to be entrepreneurs when their utility is maximised.

The second stage of the entrepreneurial process is more practical since it is the realisation. This one deals with the adaptation of the option and the implementation of the economic opportunity. Therefore, the entrepreneur could be a risk-lover, a co-ordinator, an allocator of resources, a decision-maker, a super-intendent and/or a contractor.

The evolution of the concept of the entrepreneurship can be traced back to an Irish economist living in France, called Richard Cantillon. During the 18<sup>th</sup> century, Cantillon identified three classes of economic agents: a) landowners (capitalists) who are financially independent b) entrepreneurs (arbitrageurs) who engage in market exchanges at their own risk in order to make a profit and c) hirelings (wage workers) who take part actively in the decision making process so as to secure contractual guaranties of stable income. For Cantillon, the entrepreneur is someone who engages in exchanges for profit. More specifically, he exercises business judgements under uncertainty. Cantillon was based on the function and not the personality of the entrepreneur. This function included a lot of different occupations, while it cut across production, distribution and exchange. Cantillon argued that the origin of the

entrepreneur lies in the lack of perfect foresight. Individuals cannot know the future and its impact on economic life. He didn't consider this lack of foresight as a defect of the market system, but he accepted it as part of the human condition (Hebert and Link, 1988). Richard Cantillon was the first scientist who paid considerable attention to the entrepreneur. The entrepreneur plays a pivotal role because he is responsible for all the exchange and circulation in the economy. The group of entrepreneurs brings about equilibrium of supply and demand. Their motivating factor is the profit generated from the activity of buying at certain prices in the present and selling at uncertain prices in the future. Cantillon argues that the distinguishing feature of entrepreneur as compared to other agents is that they are risk-bearers. Landowners and hirelings are not subjected to uncertain incomes since for the former the rents are fixed through contracts while for the latter their wages are also fixed. For Cantillon, the entrepreneur should be alert and forward-looking but he need not be innovative. He just adjusts the quantity supplied to the existing demand without changing any of the two economic forces (supply or demand). In addition, a businessman could start his venture by borrowing a part of the capital needed from banks or other agencies.

The physiocrats viewed the entrepreneur as the bearer of uncertainty. They concluded that the entrepreneur must have the capacity of economically combining the appropriate goods and services so as to earn the greatest profit. More specifically, "the entrepreneur bears uncertainty, organises and supervises production, introduces new methods, new products, and searches for new markets." (Long, 1983).

Jean-Baptiste Say assumed that the entrepreneur plays a central co-ordinating role both in production and distribution. He is the co-ordinator and the modern leader and manager. He gives to the entrepreneur a very prominent position in the entire system of production and consumption. The entrepreneur's function within the distribution sector is to gather the revenues from the products sold and to distribute them amongst the production inputs: labour, capital and land. These inputs are paid a remuneration according to their efforts in the form of wages, interest and rent, respectively (Praag, 1999). According to Say "an adventurer or master-manufacturer had need of a number of desirable attributes and talents." These can be summarised as follows: 1) he must be able to procure the loan of capital he does not possess 2) he requires a combination of moral qualities of judgement, perseverance and a concrete knowledge of the world, 3) he must be able to estimate the importance of the specific product, the amount of demand and the means of its production needed, 4) he must buy

the raw materials, collect labourers, find consumers and give at all times a rigid attention to order and economy, 5) he must be able to compare the charges of production with the probable nature of the product when is completed and brought top the market. As a result of all these requisite traits, the number of competitors in the market is limited. The limited supply retains the price of successful entrepreneurial labour at high levels, since in Say's classical economy all prices are determined through demand and supply.

The primary function of the entrepreneur in Frank Knight's definition (1921) is deciding what to do and how to do it without being certain about possible future states. The entrepreneur assumes the risk and insures the doubtful and timid by guaranteeing the latter a specified income. As a reward he receives the entrepreneurial profit. Knight did not offer a reason how the entrepreneurial process should start. He only explained the entrepreneurial profit as the consequence of the social specialisation process which leads to two kinds of income: contractual income of the employees (wages) and residual income of the entrepreneur (profit).

Frank Knight was the first to explicitly distinguish between risk and uncertainty. Uncertainty comprises a type of probability for which there is no valid basis for classifying instances because it concerns the outcome of a unique outcome. Knight re-emphasised the importance of judgement and commitment in the face of uncertainty as essential elements in the entrepreneurial process. Knight believes that the entrepreneur exercises judgement, is the decision-maker and he takes the responsibility of his decisions. Under the term "decisions" are included the planning of where, when and what kind of products to create. The entrepreneur has also the responsibility for guaranteeing the estimated values to other parties involved with his business. Entrepreneurial ability depends on one's ability to deal effectively with uncertainty. This means that an individual should have a high degree of self-confidence, a power to judge the personal qualities of some individuals as opposed to those of others, foresight and a disposition to act on his own opinion. The entrepreneurial task is rewarded with profit which represents the income of the businessman for bearing uncertainty. It is worth noting that the Knightian entrepreneur is not only paid with profit; the prestige of entrepreneurship and the satisfaction resulting from being the boss of other persons should also be considered when studying entrepreneurial reward (Praag, 1999).

In 1978, Leibenstein developed a theory of entrepreneurship that related the entrepreneur even more to a manager. He argued that businesses were often badly



managed and as a result one of the main concerns of management and entrepreneurship is the struggle against inefficiency. Leibenstein mentioned that the entrepreneur is a marshaller of inputs (an input completer); an overcomer of obstacles to inputs (a gap filler) and a bearer of uncertainty. As a bearer of uncertainty, the entrepreneur would be involved in a) cost containing and b) market sheltering activities.

Cole (1959) described entrepreneurship as “the purposeful activity of an individual or group of individuals, undertaken to initiate, maintain or aggrandize a profit-oriented business unit for the production or distribution of economic goods and services”.

Furthermore, Schultz (1961) rooted the theory of entrepreneurship in the theory of human capital. He has criticised the standard concept and treatment of entrepreneurship on mainly four grounds: 1) the concept is usually restricted to businessmen 2) it does not take into account the differences in allocative abilities among entrepreneurs 3) the supply of entrepreneurship is not treated as a scarce resource 4) entrepreneurship is neglected whenever general equilibrium considerations dominate economic life. He defined entrepreneurship as “the ability to deal with disequilibrium”, while he extended the notion from market activities to non-market ones. He developed also evidence on the influence of education on people’s ability to perceive and react to situations of disequilibria. The human capital approach to that was mentioned by Schultz rejected the idea of entrepreneurial rewards as a return to risk. Although risk has an active role in a dynamic environment, there is no exclusive connection between entrepreneurship and risk (Hebert and Link, 1988). According to Schultz “the bearing of risk is not a unique attribute of entrepreneurs. There are also people who are not entrepreneurs who assume a high level of risk and uncertainty.”

Casson (1982) wrote that an entrepreneur is someone who specialises in taking judgemental decisions about the co-ordination of scarce resources and integrates elements of Schumpeter (innovation), Knight (bearing economic uncertainty) and Kirzner (alertness). Casson is interested not only in the individual decision making but also in finding an explanation for a connection between entrepreneurial activity and economic development. He describes the efficiency of successfully developed countries in information usage which separates these countries from non-growth nations. Baumol took a broad view of entrepreneurship as all non-routine activities by those who direct the economic activities of larger or smaller groups or organisations. Several economists including Drucker (1985) defined entrepreneurship as a management style consisting of

systematic innovation. Other scientists believe that an entrepreneur sees external pressures that result from rapid changes in technology, consumer economics, social values and public policy. Entrepreneurs are also creative with limited resources, since “success is unrelated to the size of the resource commitment.” Entrepreneurship functioning is accomplished through a network of informal relationships dependent upon the entrepreneur’s ability to manage and negotiate situations that affect his or her business.

The third stage of the entrepreneurial process is the operation and its distinctive nature is associated with the entrepreneurial objectives that are to gain/retain profit, employment, social power and personal satisfaction. Thus, the entrepreneur possesses all these traits that make him able to evaluate, monitor, adapt and re-orient entrepreneurial objectives.

In 1978, Timmons and his scientific team identified fourteen psychological oriented characteristics of successful entrepreneurs: a) *Drive and Energy*. Entrepreneurs possess a capacity to work long hours and in spurts of several days with less than a normal amount of sleep. b) *Self-Confidence*. Successful entrepreneurs have a high level of self-confidence. They believe in themselves and their abilities to accomplish the various goals they set. They have a strong belief that events in their lives are self-determined. c) *Long-Term Involvement*. Entrepreneurs make a commitment to a long-term project and to working towards goals that may be quite distant in future. d) *Money as a Measure*. Profits, capital gains and net worth are seen as measures of how well the entrepreneur is performing. e) *Persistent Problem Solving*. Entrepreneurs possess an intense level of determination and desire to overcome shortcomings, solve a problem and complete the job. f) *Goal-Setting*. Entrepreneurs are goal-oriented. They have an ability and commitment to set clear goals for themselves. These goals tend to be high and challenging but they are realistic and attainable. Having clear, measurable goal is an effective way for entrepreneurs to set priorities, measure and guide time allocation. g) *Moderate Risk-Taking*. Successful entrepreneur prefers risk that provides a reasonable and challenging chance of success and a situation whose outcome can be influenced as much by one’s ability and effort as by mere chance. This characteristic is important since it has significant implications for the ways decisions are made and thus for the success or failure of the business. h) *Dealing with Failure*. Entrepreneurs are not afraid of failure. i) *Use of Feedback*. Entrepreneurs are very concerned about their performance. j) *Taking Initiative and Seeking Personal Responsibilities*. The

entrepreneur has been viewed as an independent and highly self-reliant innovator. Effective entrepreneurs put themselves in situations where they are responsible for the success or failure of the operation. They like to take the initiative needed to solve a problem. k) *Use of Resources*. Entrepreneurs know when and how to seek outside as well as inside help in establishing their business. Entrepreneurs seek expertise and assistance that is needed in the accomplishment of their goals. l) *Competing against Self-Imposed Standards*. m) *Internal Locus of Control*. The sense of personal causation as the determinant of success or failure is linked to the entrepreneur's achievement motivation and preference for moderate risk-taking. n) *Tolerance of Ambiguity and Uncertainty*. Entrepreneurs have a special tolerance for ambiguous situations and for making decisions under conditions of uncertainty.

Furthermore, Brockhaus and Horwitz (1986) in their study mentioned that the most significant psychological characteristics of entrepreneurs are the following: **1) Need for Achievement**. McClelland believes that people who have high need for Achievement possess the following attributes: a) they prefer personal responsibility for decisions b) they are moderate risk-takers and c) they are interested in concrete knowledge of the decisions' results. **2) Locus of Control**. Individuals who cannot believe in their ability to control the environment through their actions would be reluctant to deal with the risk of starting a venture. According to Rotter, a person perceives the outcome of an event as being either within or beyond his personal ability and understanding. He also argued that need for achievement is related to the internal locus of control. Individuals having internal beliefs would more likely strive for achievement than would persons with "external" beliefs. **3) Risk-Taking Propensity**. McClelland argued that persons with high need for achievement have moderate risk-taking propensity. Furthermore, individuals with high levels of internal locus of control tend to have high need for achievement and could be classified as moderate risk-takers. It is also evident that the concept of "risk" contains not only the perceived level of risk in the phase of start-up but also the perceived possibility of failure in case the business does not succeed. The entrepreneurs have regularly such a strong belief in their ability of influencing the accomplishment of their aims and objectives that the perceived possibility of failure is rather low. **4) Innovativeness**. Since businessmen are faced with a number of challenges when they try to adapt new ideas and to solve the problems that arise, their innovativeness is an issue of major importance. Schumpeter supported the pivotal role of innovation in entrepreneurship while Martin expressed the belief that

entrepreneurial creativity differs from the literary or artistic one because entrepreneurs do not innovate by creating ideas but exploring the value of them.

In 1985, Kets de Vries who is a psychoanalyst has identified several significant themes in the life and personality of an entrepreneur: need for control; suspicion of authority; stifled by structure; difficulty in working with others in structural settings; concern with detail; desire for recognition.

Entrepreneurial research has been developed along two main lines: 1) personal characteristics or traits of the entrepreneur and 2) influence of social, cultural, political or contextual factors.

Early research in entrepreneurship focused on the entrepreneur. It sought to determine what personality characteristics distinguished entrepreneurs from non-entrepreneurs and examined the influence of these traits on organisation formation. Factors such as the so-called psychological traits have been identified as possible factors associated with entrepreneurial behaviour. Numerous other background factors such as marital status previous employment, family background, gender, education, ethnic membership and religion were given importance (Mazarrol et al, 1999).

In addition, many theorists concluded that the role of the environment is seen as a more viable approach. This approach proposes that new firm needs some external resources and information to emerge. The environment is seen as a pool of resources. Specht distinguishes (1993) five main environmental factors affecting organisation formation: a) social, b) economic, c) political, d) infrastructure development and e) market emergence factors. Within the social framework, networks and the support provided by various socio-political elites play an important either negative or positive role. The economic environment studies focus on the availability of capital, the economic recessions, the role of unemployment and some aggregate economic indicators. On the other hand, the political environment is closely related with the support of public or semi-public agencies and organisations. Infrastructure development has to do mainly with the education system, the nature of local labour force, the access to information and the availability of premises. Finally, market emergence theory integrates both concepts of niche emergence and technological innovation.

Gartner proposes a conceptual framework of new venture creation that portrays the process as an interaction of the environment, the individual, the organisation and the entrepreneurial behaviour. Greenberg and Sexton present new venture creation as an interactive process in which personality characteristics interact with an interpretation of

events in the environment to influence decisions concerning new venture creation. Bird notices also that both personal traits and environmental factors define entrepreneurial intentionality. She describes intention as a state of mind that focuses a person's attention, experience and behaviour toward a specific method. All of the aforementioned have focused on the examination of existing entrepreneurs. They have ignored the potential entrepreneurs who never go on to form a business. This omission exerts an influence on the effective understanding of who, how and why entrepreneurs begin.

Hebert and Link (1988) give an impressive review of the different roles the entrepreneur was given during the last 200 years. They identified 12 main roles that incorporate the majority of the aforementioned definitions:

**Table 1. The Different Roles of the Entrepreneur**

<b>Roles of entrepreneur</b>	<b>Economists</b>
1. The entrepreneur is the person who assumes the risk associated with uncertainty	Cantillon, Thunen, Mill, Hawley, Knight, Mises, Cole, Shackle).
2. The entrepreneur is an innovator	Baudeau, Bentham, Thunen, Schmoller, Sombart, Weber, Schumpeter
3. The entrepreneur is an industrial leader	Say, Sain-Simon, Amasa Walker, Francis Walker, Marshall, Wieser., Sombart, Weber, Schumpeter
4. The entrepreneur is an organiser and coordinator of economic resources	Say, Walras, Wieser, Schmoller, Sombart, Weber, Clark, Davenport, Schumpeter, Coase)
5. The entrepreneur is an employer of factors of production	Amasa Walker, Francis Walker, Wieser, Keynes
6. The entrepreneur is an arbitrageur	Cantillon, Walras, Kirzner
7. The entrepreneur is the person who supplies financial capital	Smith, Turgot, Pigou, Mises
8. The entrepreneur is a decision-maker	Cantillon, Menger, Marshall, Wieser, Amasa Walker, Francis Walker, Keynes, Mises, Shackle, Cole, Shultz
9. The entrepreneur is a manager or super-intendent	Say, Mill, Marshall, Menger
10. The entrepreneur is the owner of the enterprise	Quesnay, Wieser, Pigou, Hawley
11. The entrepreneur is a contractor	Bentham
12. The entrepreneur is an allocator of resources among alternative uses	Cantillon, Kirzner, Schultz

According to Hebert and Link the entrepreneur is someone who specialises in taking responsibility for and making judgmental decisions that affect the location, form

and the use of goods, resources or institutions. Theories of entrepreneurship may be either static or dynamic. In a static world the entrepreneur's role could not be anything more than what is implied in statements 2, 6, 8 or 9. Only in a dynamic environment does the entrepreneur become a robust figure (statements 1, 3, 4, 5, 7, 10, 11 and 12).

Wennekers and Thurik (1999) propose the following definition of entrepreneurship: "Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and without existing organisations to: a) perceive and create new economic opportunities (new products, new production methods, new organisational schemes and new product-market combinations) and b) introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of institutions and resources."

Thus it is quite obvious that economists have largely examined what entrepreneurs do and how they do it. As concerns the group of classical economists, the entrepreneur assembled the factors of production and took the risk of producing a product that would be sold in the market for more than the cost of production. On the other hand that many scientists and researchers have tried to examine the "entrepreneur" and his incentives through various econometric models.

Campell (1992) developed a model where the individual chose to be entrepreneur if the expected Net Present Value of profit was positive.

In 1995, Eisenhauer built an economic model of the decision to be an entrepreneur based on the expected utility gained but also dependent on utility derived from the working conditions of employment versus self-employment alternatives. Other social scientists have tried to explain the emergence of entrepreneurs in terms of their personalities, their attitudes and their intentions. Although entrepreneurs share many common personality and demographic characteristics, many other individuals with the same traits chose to be employees. On the other hand, some successful entrepreneurs appear to lack what have been considered as vital personal characteristics. These approaches assert that entrepreneurs are a product of their upbringing and it is very difficult to learn to be an entrepreneur is one wasn't lucky enough to inherit the right kind of parents.

Robinson, Stimpson, Huefner and Hunt (1991) argue that attitudes are a better predictor of entrepreneurial tendencies than are characteristics. Attitudes are learned and while they depend on one's upbringing, family values, work and social environment they can change over time as the individual interacts with the environment in which

he/she lives and works. Krueger (1993) argued that personality and demographic characteristics were imposed by exogenous forces and they have an indirect impact on entrepreneurship via attitudes while attitudes have an indirect impact on entrepreneurship via intentions.

According to Douglas and Shepherd who presented an economic model of career decision, the person chooses an entrepreneurial career path or a career as an employee depending on which path promises maximum utility. The main implications of this study can be summarised as follows:

- High tolerance for work effort/risk and a strong preference for independence are not sufficient or necessary conditions for entrepreneurship.
- A person who is highly averse to work, risk and independence could earn enough money in a self-employment situation to compensate for the disutility of work, effort and risk in that business.
- An individual with abilities above the average level, high tolerance for risk and work, and a strong preference for independence is more likely to want be self-employed than someone else with lesser abilities and less tolerance for risk/work and weaker preference for independence.
- Before an individual creates a new venture the right opportunities and the necessary funding have to be available. Therefore, an expressed intention to be self-employed may be a long-term rather than an immediate one.
- Individuals who are not highly skilled, they are highly work averse and they are intolerant of control, they are less likely to have good employment offers. Thus, they believe that self-employment is the best career path.
- Entrepreneurial abilities and attitudes are desirable in managers/workers as they increase the firm's profit.
- Venture capitalists should test for entrepreneurial abilities and attitudes in a more systematic way before investing their capital.
- Management educators should design courses that enhance the entrepreneurial abilities and attitudes, since managers with these characteristics will increase the profit of the firm irrespective of its size.

It can be concluded that entrepreneurship is a behavioral characteristic of persons. Entrepreneurial activity is more the result of certain values, personal attitudes, and patterns of thought than interest in or desire to perform a service or create a product for economic development.

Important characteristics of entrepreneurship have emerged in the light of the aforementioned ideas and definitions. Entrepreneurship involves a dynamic process in which new firms emerge, existing ones grow and unsuccessful ones die. A second characteristic is innovation where new products and services and new production techniques are introduced by firms that have identified new market opportunities or better ways of meeting existing demands. A further characteristic is that entrepreneurship tends to be identified with small businesses that are headed by owner managers.

Entrepreneurship occurs also in the form of corporate entrepreneurship, new ideas and responsibilities implemented in large organisations. According to Stopford and Baden-Fuller (1994), literature identifies three types of corporate entrepreneurship. The first is the creation of new businesses or business units within an existing organisation (intrapreneurship or internal entrepreneurship). The second is the activity associated with the transformation or renewal of existing businesses, while the third type is where the enterprise changes the rules of competition for its industry shake. Bridge et al pointed out that “ Intrapreneurship is frequently carried out by groups or teams.”. Corporate entrepreneurship can be associated with alertness, finding new product-market combinations and innovation. A crucial element in organising corporate entrepreneurship is the necessity of an organisational “vehicle” such as teams, business units or other ways of decentralisation (Wennekers and Thurik, 1999).

The notion of entrepreneurship could also find important linkages with rural areas since the latter consist places of great importance for many countries while they are environments with specific characteristics.

Hoy noted that a popular image of a rural entrepreneur is “.....independent-natured, risk taking, achievement oriented, self-confident, optimistic, hard working and innovative”. Then, he stated that entrepreneurship in a rural context is focused upon creating new employment opportunities via creating new ventures.

Walkins and Allen suggested that entrepreneurs are “..... The founders and owners/operators of small businesses”. They also noted that entrepreneurship has been defined qualitatively as “a characteristic or a set of characteristics associated with persons who possess the drive, capabilities and organisational skills to obtain and maintain the variety of inputs necessary to successfully undertake a business venture”.



Wortman developed an interesting definition for rural entrepreneurship. Rural entrepreneurship is the creation of a new organization that introduces a new product serves or creates a new market, or utilizes a new technology in a rural environment” (Wortman, 1990a). This definition encompasses the elements of innovation and creation that can be expected to affect the larger community in which the entrepreneurial activity takes place. The definition of Wortman is not restricted to independent firms but it does exclude acquisition, since the latter influences, in a less direct way, the growth and the development of a rural community.

## **2. Programmes and Strategies Related to Rural Entrepreneurship**

Rural areas need undoubtedly a special treat as they face problems that mainly deal with their distance from an urban centre and their broader physical environment. As a result a policy which proved to be effective in promoting entrepreneurship in urban regions does not necessarily means that it would have the same positive results in a rural area.

As it has also been mentioned, the potentials for entrepreneurship in rural areas are constrained by various shortcomings. First of all, there is often a supply problem. Rural people with the strongest intellects either obtain the available education and then migrate to the cities or prefer the urban areas for the education itself. In either case it is difficult to get many of them back. As a consequence, the human capital in rural areas decreases. As for those who remain in rural regions problems of infrastructure complicate the whole situation. Poor roads, inefficient rail service, serious shortages of transport equipment are all evident. In addition, finance and in particular credit is less available than in urban centres.

On the other hand, rural communities stand to benefit in multiple ways from entrepreneurial activity. For communities to achieve their economic development potential, policymakers should ascertain how their efforts inhibit, leave untended or encourage entrepreneurship. Crego (1985) believes that policy efforts for the economic redevelopment of depressed areas must begin at the local level, then progress to regional and national levels. There is an underlying belief that rural entrepreneurship is one of the primary facets through which economic development can be achieved in rural areas. In rural areas the strategies/programmes for the support of entrepreneurship and small businesses have been related to rural entrepreneurship. Management and economic

assistance, particularly in the United States of America efforts have included: 1) Rural Community Research Parks. These parks have seldom encouraged rural entrepreneurs, but have rather encouraged entrepreneurs of larger organisations. Unfortunately, there is little information for the establishment of community research parks. 2) Rural Enterprise Zones are usually small geographic areas of concentrated economic activity in which financial and regulatory burdens of businesses are minimised. Major incentives are related to deregulation and taxes. 3) Rural Business Development Centres. They provide: a) free management assistance to existing and potential small businesses b) free access to information on market data, technical resources, or other specialised small businesses resources c) low cost training seminars and workshops addressing many problems of small firms. 3) Small-Scale Industry Service Centres. The functions of this kind of centres have been identified and include: a) direct support services b) indirect support services (e.g training of personnel...) and c) needs assessment and general development activities. These small-scale industry centres have not proved as effective as they were hoped to be. The main disadvantage of this strategy is the fact that more business advice and consultation was required. 4) Small Business Development Center. This is a university and college-based system. It is designed to serve as a focal point for the co-ordination of federal, state, local and private resources to aid small businesses within an area, at no cost to the entrepreneur. It provides counselling and training for owners and operators of firms in fields of financing, marketing, production, engineering and technical problems. Clients are also assisted in developing feasibility studies, business plans, cash flow and financial statements. The major consulting and training resources are provided through direct consultation, seminars and workshops. 5) Rural Incubators. Incubators provide physical space for the businesses, business development expertise (e.g. planning, marketing, financial assistance), business support services (clerical or janitorial), and access to venture capital. Rural incubators are usually owned by public entities, private for-profit corporations and educational institutions. The most common type of firms that rural incubators will admit is light manufacturing firms and professional and personal service firms. Furthermore, the most forms of assistance were business plan preparation, advertising and marketing and help in seeking government grants and loans. (National Rural Entrepreneurship Symposium, 1987). Managers of rural incubators must be especially adept at spotting the needs of tenant firms and connecting them to the type of services needed. Although rural communities are not as rich in resources as their urban

counterparts, the development of rural incubators should be based on community strengths rather than weaknesses. It is also worth noting that rural incubators face particular constraints due to the size of entrepreneurial pool, access to regional and national media, financing of new business ventures, and available public and private infrastructure. Rural entrepreneurship will be enhanced by the existence of incubator organisations and limited by their absence. 6) Rural Financial Institutions. Financing the needs of rural entrepreneurs is more difficult than for urban entrepreneurs due to the types of rural financial institutions. The latter have not been willing to take the necessary risks so as to support effectively rural entrepreneurs. Moreover, they are seldom linked to venture capitalists. It is also worth noting that rural entrepreneurs may have a great difficulty in finding formal venture capital outlets. 7) Rural Entrepreneurship Education Programmes. One of the most effective policies has been the so-called “educational programmes”. Although universities, state colleges and private corporations have given support to rural entrepreneurs, few efforts have been attempted in the field of executive and management development programmes.

In addition, many researchers have attempted to identify community variables that are associated with enterprises’ births or deaths. The main community variables that are linked to rural entrepreneurial activity (e.g. births of new firms) and rural economic development include the provision of capital and of subcontractor services, information for policy makers about entrepreneurship and information for prospective entrepreneurs, infrastructure (e.g. highways, sewage systems, air transportation), fiscal incentives, other business owners and professionals with whom to be in contact, political leadership, and a general community attitude conducive to business activity.

Many economists and policy designers have argued that a unified public-private approach to focus upon rural entrepreneurship and rural development in light of deteriorating infrastructure of small towns and cities is required. Everyone involved in these efforts should understand the goals and objectives of rural development and that the support of rural entrepreneurship is the foundation of this economic development. Such a unified approach would be possible only if state organisations in rural areas work together and in accordance with private companies in order to determine the “best” for the region. Westhead (1990) concludes that public policy fostering entrepreneurship is more effective when matched the needs of local environments.

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**Figure 1. A Theoretical and Conceptual Framework for the Study of Rural Entrepreneurship**

