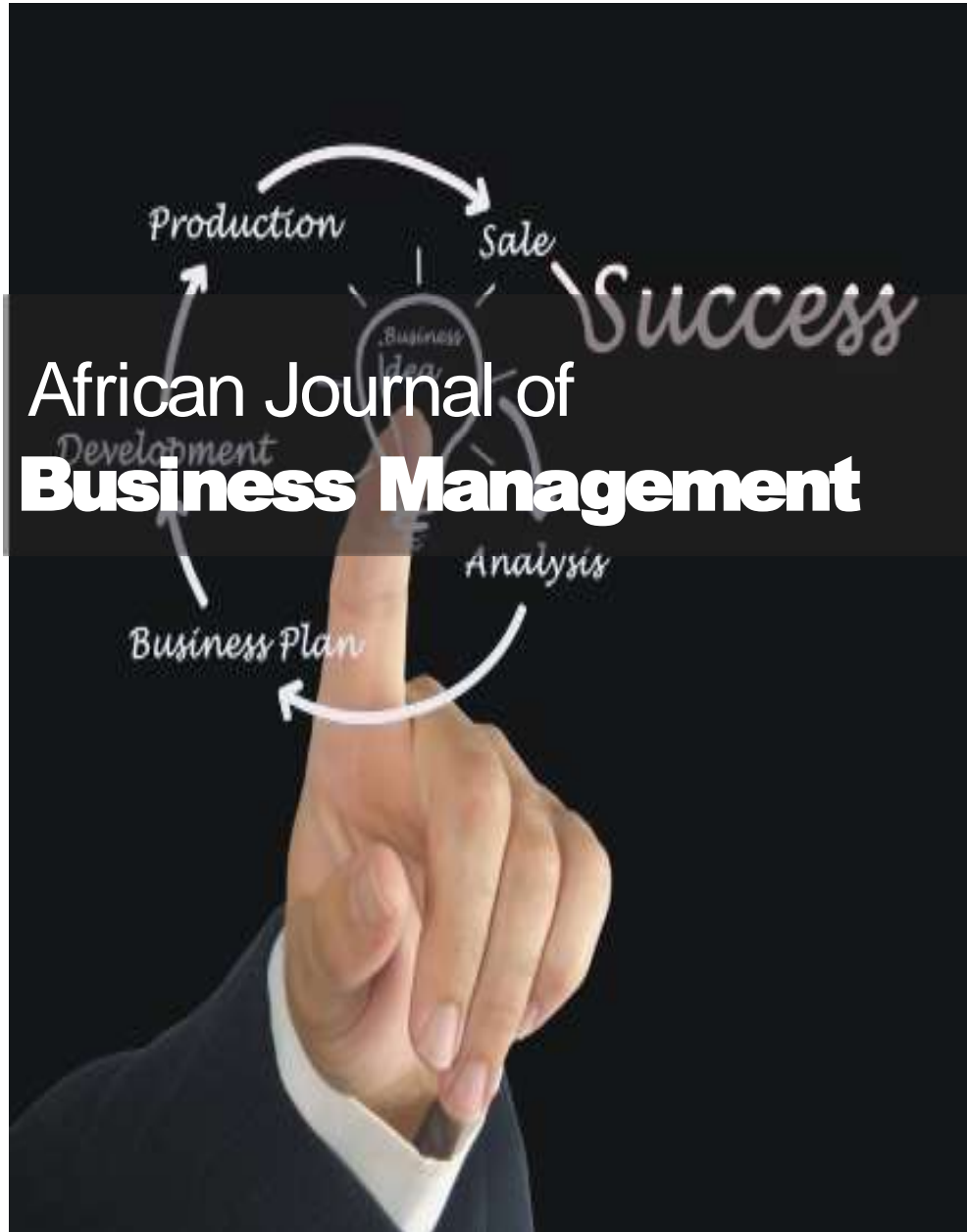


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*Review*

# **Modelling the relationship between innovation, strategy, strategic human resource management and organisation competitiveness**

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Several studies have been conducted to establish the link between strategy, human resource management (HRM) practices and organisation performance, yet no study has explored the alignment between strategy, innovation, strategic HRM and their impacts on organisation competitiveness. Therefore, the present study sets out to align strategy, innovation, strategic human resource management (SHRM) and organisation competitiveness. The present study relies on in-depth review and synthesis of related literature in the field of strategy, innovation, strategic human resource management and organisation competitiveness to propose a model. The results show that aligning innovation and SHRM can enhance organisation competitiveness. The study found strategic HRM practices; learning, knowledge management, reward systems, recruitment, and performance management as critical to organisations' innovativeness. The study offers both theoretical and practical implications for scholars as well as practitioners interested in the innovation. Despite all these claims, the study cautions against over-reliance on the findings, because of the qualitative nature of the study, hence future studies should consider empirically driven data (perhaps triangulations) to corroborate these results. The study offers a conceptual framework that could offer new insights into the relationship between strategy, innovation, SHRM and organisation competitiveness that has not been empirically tested before.

**Key words:** Knowledge management, innovation, organisation competitive, human resource management, learning organization.

## **INTRODUCTION**

Innovation is not only considered critical for sustainable competitiveness of firms and industries, but also for regional and national development. Schumpeter (1942) first emphasised the vital role of innovation in generating creative destruction and subsequent economic growth in

seminal work, "*Capitalism, Socialism and Democracy*".

Until then, many corporate executives did not recognise innovation as the driver of organisations' and countries' competitive advantage (Agolla and Van Lill, 2013). However in spite of all these, there has been a

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remarkable change of late as scholars, organisations and countries embrace innovation as the panacea to prosperity and growth in the twenty-first century and key to the 4th industrial revolution (Agolla and Van Lill, 2016).

Therefore, the current buzzword for scholars, practitioners and corporate organisations is “innovate” or “perish” (Agolla and Van Lill, 2013; Kafetzopoulos, Gotzamani, and Gkana, 2015). This underscores the importance and the role of innovation in both short and long run success of organisations and countries competitiveness. Snap shot overview of both developed and emerging economies have already proven that innovation does matter in terms of international competitiveness of both organisations and countries (Arunprasad, 2016).

For example, emerging countries namely Brazil, Russia, India, China and South Africa corporate organisations have joined the list of Fortune Global 500 of late, a fact that can perhaps be attributed to their innovativeness amongst other factors (Warner, 2011). Despite the rapid growth in the numbers of organisations in the list Fortune Global 500, the major challenges facing emerging markets is a lack of strategic alignment of human resource practices, innovation, strategy and competitiveness.

Innovation is a term that is used in different ways that in most cases create confusion as to what it really means (Kafetzopoulos et al., 2015). For example, a new technology introduced by an organisation, or a change in the production, process, or products/services can be referred to as innovation. However, the present study refutes such usage of the term “innovation” as change or introduction of new technologies may not necessarily have value (economic value) to the organisation.

Innovation can also be defined as the generation of new knowledge and ideas that facilitate new business outcomes. This is aimed at improving internal business processes and structures, and to create market-driven products and services; innovation encompasses both radical and incremental innovation (Du Plessis, 2007). On one hand, the OECD/Eurostat (2005) defines innovation as, “the implementation of a new or significantly improved product, process, marketing method, or organisational method in business practices, workplace organisation or external relations” (OECD, 2005).

Therefore, the present study conceptualises the definition of innovation as, introduction or implementation of new ideas, or generation of creative ideas to improve processes, products, and services that result in economic value to the organisations (Amabile, 1996). This simply means ideas must be generated by employees, experimented with by the organisation’s members, and implemented in order for organisations to realise its economic value. Notwithstanding the controversy in the definition of innovation, several studies have confirmed competitiveness, and standard of living (Agolla and Van Lill, 2016; Kafetzopoulos et al., 2015).

Whereas extant literature reveals the importance of innovation in driving organisations’ business bottom line, still then, there is dearth in literature establishing a link between innovation, strategy, and SHRM and organisation competitiveness. Several scholars have studied innovation in the context of individual, groups and organisation levels. However, there is a lack of studies in examining the interrelations of several SHRM practices, innovation, and organisation strategy in their contribution to organisational competitiveness.

Given the paucity of literature in the area, the study aims to fill this gap through establishing a link between strategy, innovation, strategic human resource management and organisation’s competitiveness. Therefore, the primary question of the present study is:

To what extent are there interrelationships between organisation strategy, SHRM, innovation and organisation competitiveness?

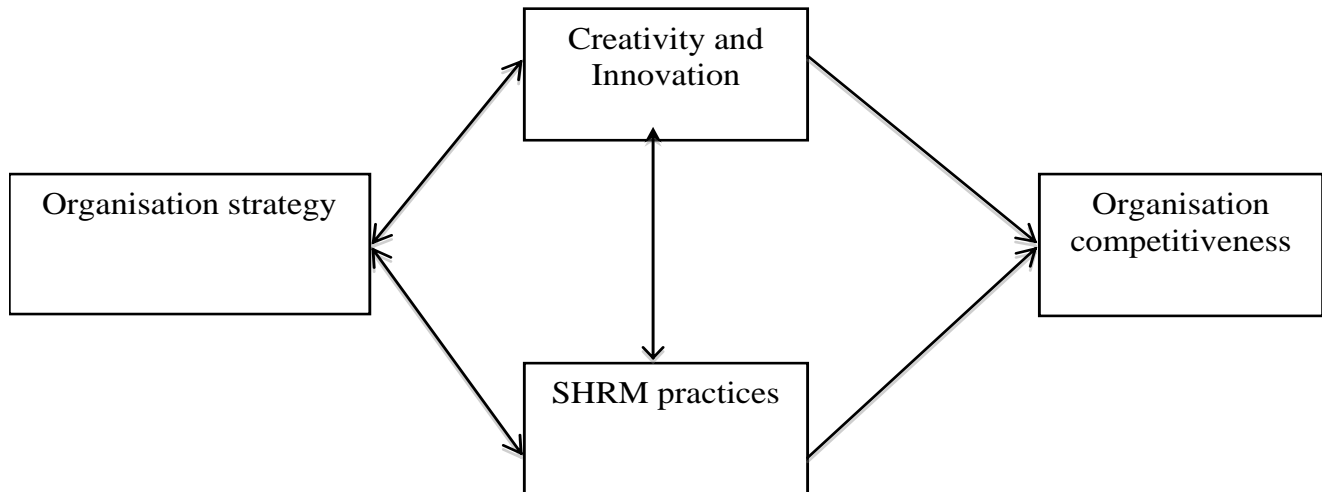
First, the paper theoretically explores innovation concept, organisation strategy, strategic human resource management practices (*recruitment, organisation learning, knowledge management, reward systems, and performance management*) and organisation competitiveness through in-depth analysis and synthesis of literature to propose a theoretical framework. Literature mining was done through the use of the keywords (innovation, strategic human resource, organisation strategy and competitiveness, creativity) on Emeralds insights, Springer, and Elsevier databases. Following an in-depth analysis and synthesis of literature, a conceptual framework, which will serve as a guide for the discussion on the alignment of strategy, strategic human resource management (SHRM), innovation and organisation competitiveness was developed (Figure 1).

## Conceptual and theoretical framework

In order to discuss the relationship between strategy, innovation, strategic human resource management and organisation competitiveness, this study presents a conceptual framework as indicated in Figure 1. It theorizes the relationships between organisation strategy, innovation, strategic human resource management practices and organisation competitiveness. The arrows indicate the interactions of the variables. These variables have been theoretically discussed in the subsequent paragraphs showing the link and contributions to organisation competitiveness.

### Organisation strategy

Organisational strategy forms one of the biggest drivers of successful innovation because strategy provides



**Figure 1.** Conceptual framework.  
**Source:** Author's own model.

integration and consistency, and enables powerful and easy communication of the strategy to organisational members (Azis and Osada, 2010; Cankar and Petkovšek, 2013; Dumay et al., 2013; Pekkarinen et al., 2011). For example, scholars (Cankar and Petkovšek, 2013; Dumay et al., 2013) looking specifically at factors that stimulate innovation and creativity suggest five factors: strategy, structure, support mechanisms, behaviour and communication.

Oke (2008) states that innovation strategy provides a clear direction and focuses the effort of the entire organisation on a common innovation goal. Therefore, management needs to develop the strategy and communicate the role of innovation within an organisation, decide how to use technology and drive performance improvements through the use of appropriate performance indicators (Cankar and Petkovšek, 2013; Pekkarinen et al., 2011).

Similarly in another study, Dobni et al. (2015) state that the first step in formulating an innovation strategy is to define what innovation means to the firm or the areas of focus in terms of innovation (Figure 1). By understanding the drivers of innovation needs, a firm can develop its focus areas for innovation. Innovation strategy needs to specify how the importance of innovation will be communicated to employees to achieve their buy-in and must explicitly reflect the importance that management places on innovation as shown in Figure 1. This is only possible when the management of the organisation crafts a strategy that is well integrated and aligned with the organisational critical resources (strategic human resource management practices) for the successful innovation (Serrano-Bedia et al., 2012 and Jiménez-Jiménez and Sanz-Valle, 2005). However, research indicates that strategy poses one of the greatest barriers to successful innovation in the organisation, particularly if

it is communicated to organisational members in a cryptic or incomplete manner, hoping that employees will understand how it all fits together (Agolla and Van Lill, 2013).

Dobni et al. (2015) state that an organisation must ensure employees understand the organisation's vision and mission (which support creativity and innovation) and the gap between the current situation and the vision and mission in order to act creatively and innovatively (Figure 1). Murray et al. (2010) further point out that serious innovation is linked to organisational strategy. It is through this that the organisations can achieve effective outcomes. Murray et al. (2010) argue that strategic considerations should drive a significant share of organisation innovation funding, specifically first identifying priority issues; cost, resources; organisation concerns; fields where there are gaps between current performance and expectations and secondly, identifying in each field to what extent strategic goals can be met by adopting already proven innovations or developing new ones (Cankar and Petkovšek, 2013).

It is the strategy that drives the core purpose of organisation existence. Organisational strategy plays an important role in driving an organisation to innovate through careful alignment of core human resource functions as shown in Figure 1. Organisations contemplating an innovation strategy, needs to have creative employees who are flexible and tolerant of uncertainty and ambiguity; people who are able to take risks and assume responsibilities, very skillful, able to work in a cooperative and interdependent way and with a long-term orientation (Jiménez-Jiménez and Sanz-Valle, 2005).

However, strategic success also depends on strategic leadership with clear communication of the organisation's vision, successful alignment of the strategy, and the



ability to change the approach, through integration of SHRM, and innovation capabilities to enhance performance.

### **Availability of material resources**

Organisational success does not solely depend on how well rewarded its employees are, but how the organisation complements these rewards with material resources to enable employees to experiment and research for new products, services, or processes with the aim to create unique values for the organisation. The evidence (Agolla and Van Lill, 2013; Carstensen and Bason, 2012) suggests that innovation requires substantial investment in resources in order to carry out research before the actual innovative outcomes. These material resources range from financial, physical resources, infrastructure, and raw materials as inputs to the service process (Agolla and Van Lill, 2013; Conteh, 2012; Liu, 2011).

Innovation requires trying new ideas that have never been tried or tested before and carries with them huge risks in terms of the resources invested (Albury, 2011; Mulgan and Albury, 2003). It is these resources that the organisation needs to provide for employees to carry out innovation activities (Mele et al., 2010). The failure of such risk-taking may mean substantial financial loss or closure of the entire project, but that should not limit the support from the organisation since there is no innovation without any risk taking or losses (Natário et al., 2012). There should be a balance between risk taking and risk management in order to bring risks within manageable levels. This is what ought to be done in order to promote innovation and eliminate the fear of risk-taking in the Organisation.

Employees require materials for the purposes of experimenting, research or trying new methods of services that have not been tried or tested before; therefore they need assurance that if such projects fail, then they will not be punished. Instead, mistakes or failure should offer a learning opportunity for further development (Murray et al., 2010). An example of how to deal with such mistakes or heavy losses, both in terms of material and human resources can be drawn from the National Aeronautics and Space Administration (NASA). The National Aeronautical and Space Administration is a United States agency that has received constant funding from the organisation of the United States in their quest to try out new things despite encountering heavy losses in terms of material and human resources. This is a typical example of how organisation support is required in the face of adversity.

Developing countries also can borrow from experiences such as those of the USA, UK, Sweden, Finland and many others, and provide resources to an organisation, train employees in risk management and experiment with

the limited resources at their disposal in order to promote innovation (Adrianopoulos and Dawson, 2010). Studies (Agolla and Van Lill, 2013; Adrianopoulos and Dawson, 2010) have indicated that material resources are always inadequate, and therefore there is a need to create innovation funds that would be dedicated to innovative ventures separate from other resources that the organisation might have at its disposal.

### **Creativity and innovation**

Most scholars conceptualise creativity as the development of ideas about products, services, practices, or procedures that are novel and potentially valuable to a department or organisation (Amabile, 1996; Shalley et al., 2004). Creativity is the original ideas that lead to innovation and must be distinguished from the application of new technology because the latter can be purchased, while the former may not. This is because ideas can only come from a living human being working in an environment that encourages such creative thinking. This calls for strategic link between corporate strategy and innovation imperatives that allow employees to be free in their expressions of ideas (Figure 1).

Studies have shown for example that for employees to generate and experiment with ideas, organisations top management/leadership must put the right mechanisms in place. Mechanisms require the alignment of creativity, strategic human resource management (SHRM), strategy and organisation competitiveness (Figure 1). Notably, some of the work environment characteristics that have been found to foster creative ideas are freedom, independence, autonomy good role models and resources (including time), encourage originality, freedom from criticism and "norms in which innovation is prized and failure not fatal" (Agolla, 2015; Antikainen et al., 2010 and Sarac et al., 2014).

Creativity is a choice made by an individual to engage in the production of novel ideas. Therefore for this choice to materialize, organisation needs to provide enabling work environment that motivate individual employee to generate creative ideas (Ahmetoglu et al., 2016). The level of creative engagement may depend on the person and the situation. Moreover we must take note that, an individual may choose minimal engagement although the person has great potential depending on the circumstances and situation prevailing at that time (Sarac et al., 2014).

Once creative individuals have been recruited or identified within an organisation then processes need to be implemented to help them develop. Corporate culture can be a stumbling block and this must be addressed if innovators are to be nurtured. Having a degree of autonomy and flexibility is important to many creative thinkers. Appropriate mentoring, particularly the use of multiple mentors, and the development of supportive peer

networks are tested strategies for developing the potential of creative employees.

Merrill (2008) suggests that several different types of innovative individuals are required to make any innovation a success. These include the “creators”, the people usually considered the key to an innovative approach. However “connectors”, “developers” and “doers” are all important in any peer network as they help to move innovation forward at different stages of a project.

Another key to supporting innovation is finding the right niche for innovators in the organisation structure. For organisations like Google with a very flat management structure, this may not be a problem (Brockett, 2008). However, most firms are less egalitarian and therefore may struggle to reward innovation while at the same time avoiding promoting innovators into roles that do not enable them to utilise their skills to the greatest effect (Brockett, 2008).

Reuters has developed a solution, which is in itself innovative. They have created “innovation hubs” at the heart of the corporate structure where creative thinkers can be given the autonomy to develop ideas without being burdened with too many management responsibilities. This is further demonstrated through a link as shown in Figure 1. In other study, Merrill (2008) proposes this model of innovation, which can be adopted by organisations wishing to foster creative thinking, or by individuals wishing to improve their own powers of innovation. The six stages of this model are:

- (1) Exploring
- (2) Interacting
- (3) Observing and note taking
- (4) Collaborating
- (5) Experimentation, and
- (6) Embracing failure.

The first stage is about giving employees that all-important thinking time which is often not valued in organisations that embrace rigid time management models. “Doing” is all too often seen as the only valid activity in the workplace and an employee caught daydreaming, doodling or engaged in any other mind-freeing activity encouraging right brain thinking might be reprimanded or even disciplined for failing to conform to the accepted workload model. Organisations wishing to foster innovation must begin to change the corporate culture that values doing while neglecting the importance of thinking. Therefore, incorporating SHRM practices with strategy and innovation imperatives will help employees to feel free to collaborate and interact as shown in Figure 1.

Interacting and collaborating are both important stages of the model as creativity feeds on shared ideas and experiences. Kaye Foster-Cheek of Johnson and Johnson describes innovators as having a unique

psychological mix, as they can work autonomously but also function well in large interdisciplinary teams. Merrill (2008) suggests that getting out and meeting different people and having new experiences helps employees to see the world in a new way. Many people find that debating or brainstorming ideas with a colleague can stimulate the creative thinking process. This becomes increasingly important as ideas are developed through various planning stages. A team approach can translate a great idea into something that can actually be produced and marketed.

*“To question someone else’s reasoning is not a sign of mistrust but available opportunity for learning”* (Argyris, 1991)

In fact managers should take pride on those employees who challenge and question their decisions and reasoning styles, and if possible celebrate them for such criticisms. Criticisms from your subordinates, peers or fellow colleagues only meant to show that, we are different regarding our perceptual cognitive. Observing and note-taking may not be an immediately obvious stage of an innovation cycle but Merrill explains that carrying a notepad wherever you go, helps to hone one’s powers of observations and can help to capture creative ideas wherever and whenever they occur.

Embracing failure may also seem counter-intuitive, especially as today’s businesses coaches often stress the importance of developing a “success” mindset. However, failure contributes to success by demonstrating what does not work. Much of the technology we take for granted today only exists because inventors did not give up when their first attempts ended in failure. Apparently, Thomas Edison tested 6,000 different materials before he found one that could be used for the filament inside the light bulb. Edison is a good model of an innovator who was able to analyse his failures and then carry on experimenting until he achieved success.

In Figure 1, innovation refers to the process in which an enterprise supports new ideas, provides human resources and material resources with new ideas and, ultimately, transforms the new ideas into new products, new services or new management means (Lumpkin and Dess, 1996). Innovation is an important aspect that organisations have to take into consideration when developing their business strategies to build and sustain competitive advantage (Plessis, 2007).

Innovation has been synonymous with successful implementation of creative ideas or improved products, process or service or introducing new technology that has economic value. Studies have shown that innovation does not just come out of nowhere, but rather generated by organisations members working individually or in groups. For innovation to take place, organisation members *generate creative ideas that are unique. Such ideas are tested and tried by organisation’s members*

before implemented and their viability put to test (Inkinen et al., 2015).

Therefore, creativity is a precursor for innovation to take place. To achieve the desired outcomes such as creativity and innovation, substantial attention has to be given to how employees as enablers of creative and innovative outputs leadership, practices and policies that encourage or restrain creativity and innovation in the organisation (Khalili, 2016).

What really take place at innovation phase in organisation? Literature indicates that at innovation phase/stage in the organisation, ideas generated at creativity level, are tried, experimented with and implemented to realise its economic value to the organisation. This implementation includes commercialisation of innovative outputs. At this phase, we need to recognise that, there are various types of innovation, and depending on what industry an organisation is in. Innovation (the successful exploration and commercialisation of new ideas) has to underpin ever-higher value-adding products, services and processes (Li-Hua, 2007). Furthermore, Brem et al. (2016) add that innovations can be distinguished as product, process, or service innovations.

## Recruitment

It is well known that recruitment represents one of the core corporate talents acquisitions that need to be efficiently and effectively executed for organisations to be competitive locally, regionally and internationally. This is because recruitment marks the entry into marriage between the organisations and employees. Therefore, efficient and effective recruitment process will naturally trigger bottom line business.

Most studies (Darrag et al., 2010; Warmerdam et al., 2015) have examined efficient and effective recruitment process as one that seeks to acquire employees who are experienced, skilled, interpersonal skills, communication skills and knowledge while ignoring critical areas such creative, innovative, and transformative. Organisations that have made a stride in the areas have long adopted and changed how recruitment are carried out, and know exactly what efficient and effectively recruitment process entails (Warmerdam et al., 2015).

The 21<sup>st</sup> Century organisations have long moved away from seeking for job candidates who only possess traditional known attributes such as knowledge, skills, experience, and abilities, but rather go after those job candidates who are capable of challenging the status quo. Modern organisations have made it pre-employment conditions for job candidates to have creative, innovative and transformative abilities beside other traditional requirements. Scholars unanimously agreed that having the right employee is the foremost driver of organisational effectiveness for the future (Acarlar and Bilgiç, 2012;

Chapman et al., 2005).

For instance, in their study of recruitment of Generation Y (Gen Y) using Ajzen (1980) Theory of Planned Behaviour (TPB) and Warmerdam et al. (2015) to understand graduate intentions to join an organisations found that Gen Y are the most technologically literate generation and conduct internet-based job searches. Therefore, organisations with a careers or employment section on their website (with a link to making a job application) subsequently make it easier for Gen Y to apply, and the findings of the current research support the assertion that the organisation will receive more Gen Y applicants. This suggestion must be executed while bearing in mind the other findings of the current research. Gen Y also assesses their suitability for the position (capability of joining). This implies that as much as organisations may have job openings, and job applicants may also be looking for an opening, both parties must bear in mind that, each must appeal to each other on equal measure.

Cohn et al. (2008) concur that finding the right people is the key to developing a culture of innovation in the workplace. They suggest that innovators share some key personality traits that can be identified and fostered. Innovators have a strong analytical intelligence combined with a sense of insecurity. Innovators can identify problems and find solutions but never depend on past solutions for current problems. Innovators approach every situation with fresh eyes. Innovators can sometimes appear somewhat gauche; they may not fit an accepted corporate profile. However, in reality, they have a keen social awareness enabling them to “read” developing situations with a keen accuracy. Successful innovators also have the charm required to persuade others to adopt their ideas.

As everyone seems to agree that the right people are the keys to successful innovation, is it possible to identify innovators at the recruitment stage? Even Google does not always find this easy, as they are notorious for their multiple stage interviews (Brockett, 2008). However, the current head of HR at Google, Liane Hornsey, reports that the average number of interviews has been halved to “only” four or five per candidate! While such intensive interviewing may have significant resource implications, the process which Google uses to interview prospective employees could be adopted elsewhere (Brockett, 2008).

Known as “360-degree interviewing” this process involves peers and subordinates as well as managers and all members of the panel have the right to veto an appointment. Some firms, such as Reuters, depend on internal recruitment to identify potential innovators. Using a series of interviews, the organisation looks for the candidate's ability to develop and defend an idea. The final hurdle is to demonstrate an analytical understanding of failure. According to Reuters, a candidate who does not have the self-awareness to confidently discuss his or her areas of weakness will never make a successful

innovator. McDonald's uses existing structures such as systematic performance reviews to identify potential talent (Brockett, 2008).

*"To innovate successfully, you must hire, work with, and promote people who are unlike you"* (Leonard and Straus, 1998).

Innovative organisations hire, work with, and promote people who make them uncomfortable, this is because managers need to understand their own preferences so that they can complement their weaknesses and exploit their strengths (Leonard and Straus, 1998). Organisations should encourage recruitment process that allow for workforce mix irrespective of ethnic orientation, religious belief, age, gender and social background. This is because no single human race can lay claim creative minds alone in exclusion of others. Innovation can come from anywhere, anytime, and from a creative thinking living human beings. Therefore, organisation's innovation, HRM practices, should be linked to organisation strategy to create competitive advantage (Figure 1).

### Organisation learning

Apart from the conventional attracting, training, retaining and motivating the employees, the strategic human resource management (SHRM) practices (see Figure 1) should enhance and provide a good learning culture where free transfer of knowledge takes place in the work environment (Arunprasad, 2016).

Organisation learning refers to sets of practices useful to organisations in developing the ability to learn and to know how they learn (Mele et al., 2010). Organisation learning also implies the freedom to take risks, to practice and experiment, and to make mistakes (Moustaghfir and Schuima, 2013). This is because learning is fundamental to finding innovation potential. Whereas learning is seen as the fundamental to finding innovation potential, this has not been the case with the organisation. However, it should be noted that most organisations are not accustomed to continuous learning. This is because continuous learning is associated with disruption of operations, hence organisation employees are always pre-occupied with policy implementation and how to maintain procedures that have worked so well in the past instead of trying new things altogether (Murray et al., 2010).

Therefore, training is more of maintaining the status quo as opposed to learning new things that require improvements in outcomes (Engida and Bardill, 2013; Lankeu and Maket, 2012). The organisation should invest in the areas of strategic thinking, creativity and innovation that are critical to the organisation's success as they are fundamental functional skills (Fryer et al., 2013). It is this

investment in the area of strategic thinking that will pay off when members of the organisation are able to recognise causal relationships between their assumptions or actions and the behaviour of the customers (organisation). Organisation learning is the source of creativity and innovation (Fryer et al., 2013; Belkahla and Triki, 2011).

*"Learning organisations cultivate the art of open, attentive listening. Managers must be open to criticism"*. Garvin, 1993.

In learning organisations, individual and collective learning processes can be distinguished; the quality of a learning organisation is apparent when individuals have an impact on one another (Moustaghfir and Schuima, 2013). In fact, it is these mutual processes of interactions that lead to behavioural changes, (mostly in the form of scripts or collective routines) leading to innovation learning which is the power of the learning organisation (Lee et al., 2012). Similar studies (Rivers, 2001; Isaacson and Fujita, 2006) posit that metacognition, that empowers learners with a self-regulated learning mechanism, is the best learning strategy. The argument here is that the focus of a learning organisation is to improve the potential of the individual employees in terms of metacognitive learning. Albury (2011) adds that creative ideas can arise from anywhere, at any time, but if managers seek to harness creative individuals to foster innovation, they should not only provide organisation with a structure in which innovative ideas are encouraged to appear, but also to ensure that an appropriate reward system is in place so that they continue to emerge.

### Knowledge management

In the 21<sup>st</sup> Century, new organisations are emerging where knowledge is the primary production resource as opposed to capital and labour (Kumpikaité, 2007). It now believed that efficient utilisation of existing knowledge could create wealth for organisations. Knowledge management (KM) refers to the process of enhancing organisation performance by designing and implementing tools, processes, systems, structures and culture to improve the creation, sharing, and use of knowledge (DeLong and Fashey, 2000; Inkinen et al., 2015; Rosset, 1999).

Knowledge is becoming progressively more useful because management is taking into account the value of creativity, which enables the transformation of one form of knowledge to the next. The perception of the existing relationships among several systems elements leads to new interpretations and this means another knowledge level where a new perceived value is generated (Inkinen et al., 2015). This relationship indicates that the innovation highway depends on the knowledge evolution

(Carneiro, 2000; Inkinen et al., 2015). This relationship has well been captured in the proposed conceptual framework of the present study (Figure 1).

Extant literature (Plessis, 2007; Obeidat et al., 2016) showed that knowledge creation or acquisition, knowledge sharing and knowledge leverage or utilisation build employees' skills are relevant to the process of innovation. KM also that facilitating collaboration between employees and sectors will enhance the knowledge sharing and utilisation, which will, in turn, increase innovation (Figure 1).

Therefore based on the previous studies knowledge, sharing plays an important role in innovation. Studies have shown that encouraging knowledge sharing between employees and incorporating KM into strategies will lead to gaining competitive advantage, customer focus and innovation (Obeidat et al., 2016; Mas-Machuca and Costa, 2012). Similarly, Huang and Li (2009) argue that organisations could trigger off the sharing, application and deployment of knowledge to facilitate innovation, because KM has a positive effect and contribution to transform tacit knowledge into innovative products, services and processes, which improve innovative performance as shown in Figure 1.

Some studies showed that there is a relationship between organisational innovation and knowledge transfer as well as reverse knowledge transfer, but its effect depends heavily on learning orientations (Obeidat et al., 2016; Jimenéz-Jimenéz et al., 2014). In gist, two key elements are important in the definition. From the review of the literature, the present study found evidence that knowledge is the core component of innovation – not technology or finances.

*“To be remain competitive, may be even to survive businesses will have to convert themselves into organisations of knowledgeable specialists”* (Drucker, 1988).

In summary, Arunprasad (2016) opines that, strategic HRM practices are deployed in organisations to ensure a competitive advantage by focusing extensively towards the human resources and build the knowledge base for a sustained growth. From the strategic HRM perspective, a set of integrative HR practices that support organisation's strategy produces a sustainable competitive advantage (Figure 1).

## **Performance management**

Performance appraisal/management forms an important aspect of employees' career aspiration as well organisation's overall objectives. The aspiration component of employees is a desire for advancement, influence, financial rewards, work-life balance, and overall job satisfaction that effective performance must

help employees achieve (Gateru et al., 2013; Gatherer and Craig, 2012). Innovative organisations go for performance management systems that manage the core values they cherish. For example, if the organisation values creativity, problem-solving and innovative behaviour as some of the critical attributes beside the traditional performance functional areas and competencies, such organisation would place more emphasis on those core values. That means employees performance management and appraisals would be inclined towards those attributes. The people who work in the organisation determine its value. To grow and prosper, organisations in the first place, and above all need to be creative brains. Creativity is the mainstay of a modern organisation. Hence, the need to have effective performance management systems that embrace all key aspects of creativity, innovation and reward such employees who have demonstrated such attributes (Uzkurt et al., 2013). For example, Buller and McEvoy (2012) state that organisational and individual factors should be aligned because, among other factors, the performance of organisation depends on the individual and collective behaviour of the employees. Furthermore, this alignment facilitates the creation of human and social capital to achieve superior performance (Bendoly et al., 2010).

## **Reward systems**

The organisation reward systems play a critical role in attracting key employees and to enable them to retain valued staff (Abury, 2011; Lankeu and Maket, 2012). Research indicates that appropriate reward systems will not only attract and retain the qualified staff but would go a long way in motivating them to perform to their best ability (Gatere et al., 2013; Lankeu and Maket, 2012:269). Innovation ideas bring value to the organisation, therefore organisation managers need to align the reward systems with the individual and group performance so that those employees are rewarded adequately for their personal contribution towards creativity and innovation. Engida and Bardill (2013), Gatere et al. (2013) and Lankeu and Maket (2012) identified rewards as drivers to creativity and innovation, and suggest that for the organisation to innovate their reward systems should be competitive not only to attract and retain their most valued employees, but also encourage employees to be creative and innovative. Besides the rewards systems in place, the organisation must strive for the availability of other material resources that are also very crucial and critical for fostering innovation.

## **Organisation competitiveness**

Innovation is widely recognized to be critical for

sustaining the competitive advantage of firms and industries, and at the regional and national levels (Sheehan et al., 2014). Studies have shown organisations that opt for innovation have a competitive advantage if they come up with new ideas and create services and products that are, at least partly, unique (Brem et al., 2016; Molleman and Timmerman, 2003; Sheehan et al., 2014). Innovative organisations are known to have a competitive advantage through the creation of services and products that are not easily imitable by other competitors (see Figure 1).

Therefore, the organisations' survival in nature is all about having the opportunity to compete and then acquiring the tools for the conquest of that environment (Sheehan et al., 2014). The competitive advantage of an organisation originates from the possession of special resources, for example, innovation capability, and cannot be imitated and substituted (Guan et al., 2006). These resources ensure an organisation maintain a superior position in strategy, technology, and management (Liu and Jiang, 2016). To remain competitive and sustainable in changing and highly competitive business environment, organisations have to invest in creativity and innovation. Creativity and innovation are considered to be the most important capacity for organisations that wish to establish a competitive advantage (Gisbert-López et al., 2014).

The competitiveness of an organisation is dependent upon the various factors: the degree to which organisations are capable of penetrating the markets and sustain it; uniqueness of services, products and how such outputs are differentiated from their competitors; market shares the organisation is able to control; and the performance based on revenue generation (Figure 1). First, we need to recognise the role innovation plays in helping organisations gain a competitive edge through the implementation of unique and creative services, cutting-edge technologies and products that are not easily imitable by the other competitors.

## Conclusion

Conceptual and theoretically, the study provide some insights into relationship between strategy, innovation, SHRM and organisation competitiveness. Evidence clearly shows that creative and innovative workforce is a precursor to innovation and organisation competitiveness (Figure 1). Organisations must find a fit between employees, innovative behaviour and organisation's competitiveness to be able to survive. Staffing, learning, performance, knowledge management and reward systems are the significant and influential factors facilitating innovation and organisation competitiveness (Figure 1).

Strategic alignments of these significant and influential are fundamental to organisation creativity, innovation and

competitiveness. Organisations that value their organisation competitiveness, always opt for individuals recruitment that yields diverse skills and qualifications, which enhances individual opportunity to actively participate in creative thinking, knowledge sharing and results from competitive learning fora. Strategic alignments of innovation, HRM and organisation competitiveness require that organisations follow recruitment and selection process that is inclined to learning oriented organisation. The rationale is to promote recruitment process that cherishes diversity in skill, talent, experience, creative and background of an employee.

Implications of the present study are that innovative organisations go for training that has one of its outcomes as creative thinking and innovative behaviour. The study proposes a model (Figure 1), which it hopes will contribute to the relationship between organisation strategy, SHRM, innovation and organisation competitiveness. Traditional training though still stands out, but this should be fused with the modern changes in the external environment.

For example, changes in technology, or products and /or services may require that organisation go for radical training to counter the effects of such changes. Organisations undergoing these types of changes may find important to embark on specific areas such as creative thinking, innovative behaviour and collaborative networks as a way to enhance brain workers for competitive advantage. Finding a fit between what the organisations have and what they don't have become imperatives for innovative organisations.

Therefore what works is how organisations will be able to intertwine organisation strategy, innovation, and strategic human resource to gain competitive advantage. Organisations that want to be competitive must first differentiate between Generation X and Generation Y. What their need are, educational level, skills and the type socialisation networks that appeal to each different generation. Generation Y (Dotcoms) is known to have the appetite for technologies as compared to Generation X (Baby boomers). This is because they were born during the computers era and joined the workforce in the midst of Internets and cell phones. Managers need to motivate this Gen Y through appropriate incentives and make-work more attractive. The rationale is that Gen Y is more on the look for organisations that value freedom of actions and thinking and staying at forefront of innovation and creativity.

Although the present study adds to the existing literature by trying to align organisation strategy, innovation, strategic human resource and organisation competitiveness, it only relied on the secondary data. Therefore, the author implores other scholars to consider conducting empirical research to investigate the applicability of the present theoretical model. The study also suggests that more research need to be done on

strategy, other strategic HRM practices, alignment with innovation and competitiveness (Figure 1). This is an area in which there is currently a dearth of literature.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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*Full Length Research Paper*

# **Pathways to the poor in Swaziland: What is the nature of micro insurance channels and distribution strategy?**

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**When distribution is neglected, micro insurance fails. This considered, the objective of this study was twofold – to explore the nature of micro insurance distribution channels and to understand the distribution strategy of a commercial insurance company in Swaziland. Using interviews with the senior managers of a commercial insurer and its distribution partners, this study generated in-depth qualitative data on their experience and recollections of the nature of channels and the strategy of distributing micro insurance. In this study, the commercial insurer leveraged predominantly on non-traditional channels such as churches, post offices, and cooperatives. These are characterised by access to large groups of potential clients and the trust of the community – but were initially incapacitated by a lack of technical expertise in terms of being trusted business associates and trusted advisors to micro insurance clients in Swaziland. Four inextricable components – depicting novel partnerships, ease of doing business, channel communication, and bringing micro insurance close to the people – encapsulate the distribution strategy of the commercial insurer. Among the key imperatives for cost-effective distribution of micro insurance are tailored channel development, consumer education, and segmentation of non-traditional channels to match low-income clients. Given the findings, a simple framework of micro insurance distribution and implications for research are proposed.**

**Key words:** Micro insurance distribution, distribution strategy, service distribution.

## **INTRODUCTION**

Without a low-cost and effective distribution network, micro insurance cannot protect low-income people from specific perils in Swaziland. The seminal article on “*Serving the world’s poor, profitably*” (Prahalad and Hammond, 2002) pointed out that “the critical barrier to doing business in the rural regions is distribution access” to the poor.

Currently, this barrier is also prevalent in densely populated areas in and around our modern cities, where

low-income people live. It is naïve for business managers in any commercial insurance firm to expect micro insurance success by placing primacy on price, product and promotion – without cost-effective distribution. Profoundly low-income people are unique as clients. They are often typified by an irregular flow of income, a lack of formal employment to facilitate payroll deduction of premiums, and also lack of bank accounts that are needed for debit order collection (Merry et al., 2014).

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The vulnerability of low-income people and the need for micro insurance in Swaziland is amplified by a variety of factors such as high levels of poverty, heavy reliance on subsistence farming and high incidence of Human immunodeficiency virus infection and acquired immune deficiency syndrome (HIV/AIDS) (Golomski, 2015). The low-income market is new and unfamiliar to many organisational leaders in commercial insurance firms that are accustomed to conventional markets. The traditional system of brokers, agents and direct sales is geographically limited to cities, fails to reach the poor – and is also expensive (Biese et al., 2016; Cheston et al., 2018). The task of managing evidence of the intangible mechanism of transferring risk is a big challenge in the effort to win the trust of low-income clients that are stereotyped as sceptical of insurance. A totally different approach is required (Williams et al., 2017).

Research on micro insurance is growing, but is still predominantly at an embryonic stage in many countries – including Swaziland (Cai et al., 2015:287). As such, commercial insurance managers and employees are facing a variety of distribution quandaries, without much insight from research. However, recent empirical studies on micro insurance have started to explore alternative models for the distribution of micro insurance in emerging economies (Zieniewicz, 2014); the growth potential of digital micro insurance distribution; and opportunities, obstacles and challenges to distribution innovation (Chummun, 2017; Hillier, 2018; Leach et al., 2015).

In particular, synthesis of the strengths, weaknesses and suitability of different distribution channels is closer to the current study (Merry et al., 2014). However, the experiences of commercial insurers, agents, regulators and other distribution partners from Swaziland are not explored in this synthesis. Local praxis of micro insurance distribution in Swaziland is missing – reflecting a contextual lacuna. A theoretical void was uncovered by Gebauer and Reynoso (2013) who assert that “established service theories and empirical generalizations derived ... from medium and high income segments are not necessarily applicable to the bottom of the pyramid markets, or at least, not always and in the same ways”. Up till now, the low-income market has been under-served and under-researched (Cheston et al., 2018).

Managers and researchers in Africa are often reminded that there are “many questions to be asked and options to be tried before solutions on how to protect significant numbers of the world’s poor against risk that begins to emerge” (Cai et al., 2015). As no single research is ever likely to answer all the questions, there is a strong need for a variety of robust scholarly research on micro insurance in countries such as Swaziland.

The objective of this study was to explore the nature of distribution channels used, and to understand the strategy of a commercial insurance firm that was actually used to distribute micro insurance to low-income people

in Swaziland – as perceived by senior managers from a commercial insurer and its various distributors. In pursuit of this research objective, two interrelated research questions were formulated:

- (1) What is the nature of the channels used by the commercial insurance firm to distribute micro insurance to low-income clients in Swaziland?
- (2) What strategy of the commercial insurance firm is manifested through the various decisions and interactions taken by different actors in distributing micro insurance to low-income clients in Swaziland?

## LITERATURE REVIEW

This section delves into the notion of distribution and discusses cardinal elements of distribution in the domain of micro insurance.

### The concept of distribution

In pursuit of scholarly rigour, it is meaningful to decompose the concept of distribution strategy into two: distribution and strategy. To this end, some scholars define distribution as “pathways a product or service follow after production, culminating in purchase and use by the final end-user” (Kotler and Armstrong, 2017). In other words, distribution is a network of independent but interdependent firms that are intermediaries (CIM, 2015). Network size, number of intermediaries and retail outlets are salient when considering distribution intensity that may be exclusive, selective or intensive. Alternatively, distribution also means “all interactions that have to take place between the underwriter of the risk and the ultimate client” (Kotler and Armstrong, 2017). This study adopts this latter definition – as it suggests that a service channel comprises firms, their intermediaries, and their consumers. Having defined the concept of distribution, it is timely to delve into the intellectual landscape of strategy. Johnson et al. (2017) suggest that strategy has six building blocks. These are:

- (1) Direction over a long term
- (2) Scope in terms of diversity of activities and markets involved
- (3) Advantage being sought in a changing environment
- (4) Configuration of resources and competences
- (5) Environmental factors affecting ability to compete; and
- (6) Value and expectations of stakeholders.

Mintzberg’s 5 P’s offers a unique way of understanding strategy – as either a plan, ploy, position, perspective, or pattern (Mintzberg, 1987). This study subscribes to strategy as a “pattern in a stream of decisions over time”, regarding any of the identified six aspects. Thus, focusing

on “what is done” by people in relation to distribution is key to uncovering a distribution strategy. Allowing strategy practitioners to reflect on past actions and decisions is fruitful for accessing strategy, where strategy is secretive and not easily shared with outsiders. With hindsight, both organisational insiders and outsiders can decipher the strategy pursued by a company.

### **Three cardinal elements of micro insurance distribution**

Studies related to distribution channel theory reflect a disjointed collage – as there is no unifying framework. However, three cardinal elements are discernible in terms of distribution of micro insurance at the bottom of the pyramid. In brief, these include:

- (1) Complexity of channel selection as there are many issues to consider.
- (2) Clarity on the level of interaction in the sales model, being mindful of the variety of client needs and costs; and
- (3) Understanding informal risk management and how this fits into the socio-cultural ethos of a particular market. Each element is discussed below:

#### ***Complexity of channel selection***

Making an informed selection of traditional channels to work with as “trusted advisors” to clients and also as “trusted partners” of the commercial insurance company is complex and demanding (Cai et al., 2015). Channel selection is crucial – especially when distribution success relies on attributes (for example, trust) and the productivity of intermediaries (for example, sales agent, broker) (Biese et al., 2016). In this vein, Kotler and Armstrong (2017) state that methodical selection of a channel requires robust and comprehensive criteria. It is advisable that such a criteria include:

- (1) Low partnership risk
- (2) Low-cost distribution for the insurer
- (3) Willingness of the channel to prioritise micro insurance
- (4) Popularity and trust of a channel, and
- (5) The ability to scale in terms of accessing a large number of potential clients (Merry et al., 2014).

Additionally, the ability of a channel to offer product diversity, and to improve client understanding, are also critical in channel selection (Merry et al., 2014). In a different vein, Zieniewicz (2014) asserts that a cost-effective channel should pass the test of the 4A's – availability, accessibility, affordability, and acceptability by clients. In the conventional insurance market in Swaziland, three traditional channels are common: broker, funeral parlour and credit provider (Hougaard et

al., 2011).

As intermediation of conventional insurance is dominated by brokers (for example, Tibiyo Insurance brokers, AON and Dups Insurance Agency), the specific questions of how micro insurance is distributed to the poor in Swaziland, is enlightening. It is intriguing to note that a successful commercial insurer needs to look beyond traditional distribution channels. The variety of alternatives to traditional ways of distributing micro insurance products is growing (Glaesener-Nasr, 2017). For example, cash-based retailers (for example, Shoprite); credit-based retailers (for example, furniture retailers); utility providers (for examples, gas, water, electricity); and telecommunications companies have all played a pivotal role as non-traditional channels for micro insurance.

According to Merry et al. (2014), cooperatives, community-based organisations (for example, trade unions, faith-based organisations, and small business associations), mobile network operators, and employers have formed part of micro insurance distribution in South Africa, India, Bangladesh and Brazil. In Swaziland, there were 36 brokerage houses and over 250 agents that included unaffiliated individual brokers and entities like funeral parlours in the insurance market in 2013 (Golomski, 2015). In view of the aforementioned, it is prudent for a commercial insurer to grapple with a variety of key issues within traditional and non-traditional channels – before deciding on a suitable mix of channels.

#### ***Clarity on level of interaction in the sales model***

The degree of interaction between a sales agent and a client is critical as it influences the type of sales model, and transaction costs. Commercial insurers grapple with whether to use a passive or active sales model, and why. First, passive sales models are characterised by products placed on a shelf at a cash retailer, without any verbal communication by retailer staff (Leach et al., 2015). Interestingly, the rise of the digital channel has brought to the fore low touch, advice-less sales models that are inexpensive (Sandquist et al., 2015). The digital channel triggers disintermediation and cost reduction. In some instances, these types of channels are associated with loss of face-to-face support to illiterate clients who are unfamiliar with the legal language of micro insurance (Leach et al., 2015). Technology needs to be an enabler – as digital channels on their own (for example, selling of insurance over the internet initiated by a low-income client) cannot easily overcome the bias of people, without considerable persuasion through human channels (Cheston et al., 2018). Second, active sales models use representatives of an insurer or retailer who verbally inform and try to persuade a client to buy insurance (Sandquist et al., 2015). With face-to-face support by certified or uncertified insurance agents, high touch and advice-based sales models are more expensive (Leach

et al., 2015). The level and quality of interaction is at the core of a sales model in micro insurance, as it reinforces or diminishes the credibility of intermediaries as trusted links with clients (Kotler and Armstrong, 2017).

### ***Informal risk management***

In many African contexts, there are many informal risk management mechanisms that are not officially registered, but are well-known and used by the poor. Loan sharks, risk-sharing groups (for example, rotation savings and credit associations), savings and credit clubs, and mutual lending between relatives and social networks with flexible terms, are some of the informal risk management mechanisms used by the poor in developing countries (Leach et al., 2015). There are also formal organisations that offer insurance products that are not registered with the authority. These are potential substitutes of formal micro insurance. The eligibility criteria used for most informal insurance mechanisms are unique. The criteria is often less demanding – but also is undocumented and based on social factors (for example, reputation, social visibility, and social integration). In this vein, it is wise that a commercial insurer is fully aware of how micro insurance is superior or inferior to informal ways of coping with risks, and how formal channels fit into the socio-cultural ethos of the poor in a particular context. According to Hougard et al. (2011), informal savings clubs called *Inhlangano*; unlicensed organisations that provide funeral insurance; and self-insuring funeral parlours – are all noticeable in Swaziland. In the light of the aforementioned, the question relating to the actual nature of channels and strategies used to distribute micro insurance in Swaziland by a commercial insurer is very interesting, but under-researched.

## **METHODOLOGY**

This section describes how participating organisations and their senior managers were selected, and how data were collected and analysed.

### **Research paradigm**

This phenomenological study was premised on a social constructivist paradigm, and was tolerant of multiple perspectives of reality upheld by people with lived experience of a phenomenon (Bryman and Bell, 2015). As a case study, the focus was on a contemporary phenomenon in a real-life context, where boundaries between a phenomenon and context were not clearly evident (Yin, 1994). In terms of epistemology, the researcher's role was to interact closely with participants to get their deep understanding of subjective reality.

### **Multi-stage sampling**

#### ***Selection of commercial insurance company***

The researcher used purposive sampling to select a "critical case"

of a commercial insurance company in order to get compelling insights into micro insurance distribution in Swaziland. Selecting a firm reflecting most characteristics of a commercial insurance company active in micro insurance distribution in Swaziland, was salient. To this end, the following three selection criterion were used:

- (1) National coverage embracing urban and rural areas;
- (2) Being a subsidiary of a foreign firm, especially the type of firms that dominated the market; and
- (3) Being active in the micro insurance market for not less than five years.

At the time of the study, there were 10 commercial insurance firms in Swaziland. More importantly, the criteria for selection of the company considered that 9 of the 10 insurance companies were foreign firms responsible to their respective head offices outside the country. Furthermore, only 4 of the companies were operating in the micro insurance market. The selected commercial insurance company met the aforementioned criteria, and had experience in the conventional insurance market that was acquired before starting to distribute micro insurance. The top management team (TMT) of the selected commercial insurance firm was willing to reflect on their own decisions and actions regarding micro insurance distribution.

#### ***Selection of organisations in the distribution chain***

The researcher used snowball sampling to select four different types of organisations – a cooperative, church, funeral parlour and a post office – which distributed the micro insurance of the selected commercial insurer. This was helpful to verify or validate initial results from members in preceding organisations.

#### ***Selection of individual participants***

The focus of the study was on senior managers comprising the TMT in each of the specific distributors selected. A total of 8 participants – 6 males and 2 females – were purposively selected for this study. Thus, 4 senior managers were from the selected commercial insurance company; 1 was from a post-office, and another was from a funeral parlour. Two (2) senior managers were from different affinity partners – a cooperative and a church. The participants were aged 35-50 years. A minimum of three years of experience in distributing micro insurance offered by the selected commercial insurance company was a pre-requisite. This was to ensure that each participant could meaningfully understand, reflect and report on what was actually done – not only in his or her organisation, but also in others – to provide a deep understanding of the nature of channels, but also the strategy of the selected commercial insurance firm.

#### **Data collection**

Data were collected through 12 semi-structured, in-depth and retrospective interviews with 8 senior managers. An interview guide was used to assist senior managers in their reflection on what was done by various actors in the commercial insurer and its distribution partners. The questions in the interview guide were framed to delineate:

- (1) Perceived objectives of the commercial insurance company regarding distribution of micro insurance.
- (2) Characteristics of routes or channels used to deliver micro insurance.
- (3) Decisions and interactions made by people in the commercial

insurer, distribution partners and clients that depict strategy to distribute micro insurance; and  
 (4) The variety of consequences of distribution-related decisions and actions that were taken.

On average, each interview took 30 min. Follow-up interviews were taken to probe specific issues, and to enhance clarity. Overall, sampling of organisations, individuals, and data collection ceased because of data saturation.

### Data analysis

Data were broken down into codes that were constantly compared with each other to develop broader categories. Subsequently, similar categories were classified to ultimately induce relevant themes reflecting the nature of channels and the strategy of distributing micro insurance. To illustrate this, the theme of 'ease of doing business' was derived from comparing what the commercial insurer was doing for distributors (for example, removing obstacles) with what partners were doing for clients and how (for example, supporting clients with data transmission, revision of policies, and posting proof of payments). Progressively, comparisons were also made with how partners influenced client transactions (for example, high credibility of churches and post-offices, technical know-how of post-offices in data transmission) and clients' view of transactions (for example, easy, convenient, and safe). Ultimately, these actions and views at different levels led to the theme that was initially labelled "ease of doing business at multiple levels" – before becoming simply 'ease of doing business'.

### Trustworthiness

The researcher used member check or respondent validation to allow clients to provide feedback – in order to ensure integrity or credibility of the findings. Additionally, procedures, processes and quotes from participants in this study are clearly documented to provide an audit trail. This enhanced the dependability and confirmability of the study. Lastly, triangulation of perspectives of participants helped to corroborate views, ensure comprehensiveness of accounts, and identified nuances.

## FINDINGS

This section presents the findings of the study which manifest the nature of channels used – before depicting what was manifested as the strategy of a commercial insurance company in terms of distributing micro insurance in Swaziland.

### Limited variety of five non-traditional channels

The commercial insurance company in Swaziland leveraged on a very limited variety of non-traditional channels, and was incapacitated initially by lack of technical expertise in micro insurance. Seven senior managers said that a limited variety of five non-traditional channels were used for helping micro insurance to reach consumers in Swaziland. In terms of type, these included two local community-based organisations (for example, the church and cooperative), a state-owned organisation

(for example, the post office), and two private businesses (for example, funeral parlours and brokers). The nature of the church as a channel was construed in terms of low-cost and scale to appeal to many in the communities – as elucidated by a senior manager in the quote below:

*We need to keep costs low ... commission also needs to be low. So, we have been diversifying to other distribution channels selling our products ... rather than concentrating on the usual brokers ..., I spoke about our partnership with funeral parlours ... churches to distribute cheaply to their congregations (Manager 1).*

Furthermore, the churches and post offices were commonly characterised as being more reliable and trusted, and also provided a convenient, countrywide network of branches that served as channel members:

*(Name of commercial insurer) has been successful in identifying more trusted distribution partners, such as Swazi Post which has 34 post offices in Swaziland, the Swaziland Conference of Churches with 137 affiliated member churches whose membership is over 200,000 nationwide. Swazi Post, in particular, is present in the rural areas where the post offices are still a main, reliable business centre for the masses ... possible retail clients for us (Manager 7).*

Predominantly, the channels used by the commercial insurer exhibited an initial lack of technical expertise to give quality advice for the choice of micro insurance products, servicing of policy post sale, and settlement of claims by clients. To address this, one of the senior managers exemplified the scope of technical assistance rendered to one of the cooperatives as a channel member:

*[Name of insurer] assisted [Name] Savings & Credit cooperatives to understand risks of clients not being able to claim, the requirements of [Name of cooperative] to service its member ... use their knowledge of when clients get ... money to help them with choices. ... legal compliance ... and obligation to clients were clarified to them as a distribution partner (Manager 8).*

The nature of channels used by the commercial insurer brought up novel challenges. Generally, a lack of selection criteria cropped up as a result of the novelty and non-traditional character of channels. This resulted in frustration of people within the insurer but also of prospective affinity partners – as it created bottlenecks in finalising partnerships. In particular, the church as a novel channel brought to the fore controversial religious beliefs and intra-group differences that were inherent to the nature of this particular channel, and this was clarified by one of the senior managers:

*Negative attitude by some church members ... saying*

**Table 1.** Components of distribution strategy for micro insurance.

Themes
Novel partnerships
Ease of doing business at partner and client levels
Channel communication and transparency
Close proximity to people

*insurance is for those with little or no faith was strange to me ... a different problem from the usual untimely remittance of premiums ... some customers paying as and when they are able to rather than on a regular basis. Group schemes undermined by slow pace of decision making, and some individual members opting to join on their own (Manager 5).*

The next section reveals, in detail, the strategy of the commercial insurance firm regarding how micro insurance was actually distributed.

### **Manifested strategy: Multi-channel micro insurance distribution**

The findings show that the commercial insurer in Swaziland used a multi-channel distribution strategy characterised by a variety of four interrelated components:

- (1) Novel partnerships
- (2) Ease of doing business at partner and client levels
- (3) Channel communication; and
- (4) Close proximity of micro insurance to people.

This 'manifested' distribution strategy is summarised in Table 1. Each of the four components is illustrated below.

#### **Novel partnerships**

All eight senior managers in this study agreed strongly on how an indirect distribution model and bulk retailing were possible as a result of novel types of partnerships with affinities and brokers. This was surmised by one of the senior managers, as follows:

*Our objective as (name of commercial insurer) was not to directly sell to clients, but rather [to] do bulk retail selling through new partnerships with affinities such as cooperatives. That's why bulk retailing partners for [name of commercial insurer] engaged with individual customers in the administration and queries on their policies (Manager 2).*

In fact, it was a commercial insurer's impetus of penetrating the existing market through new channels that led to novel partnerships, but also coincidental access to a new consumer segment with unique needs. There was a lack of planned and intelligent segmentation of distribution channels by a commercial insurer to match with low-income people as an intended consumer segment. This was reiterated in this way:

*Distributing micro insurance was not initially planned as a deliberate move for us. It was a coincidental result of a partnership with affinities ... who had [their] own clients whom they served. We were exploring more convenient ways to get more clients ... getting a bigger share of the same pie ... not looking for a new pie (Manager 3).*  
*Ease of doing business at partner and client levels*

According to five of the eight senior managers, high credibility of partners, technical know-how in facilitating a variety of key activities needed by clients (for example, purchasing of policy, remittance of premium and submitting of proof of premium payment), but also convenience and safety, contributed to making micro insurance-related interactions easy. In particular, post offices as a non-traditional channel made a variety of transactions easy for clients while also making additional revenue from other services such as data transmission:

*(Name of commercial insurer) has been working with the partners to find safe means of remitting premiums and sending proof of payments in cost-effective ways, for example, after depositing premiums in the nearest bank the customers then post the proof of payment – thus reducing travelling costs for customers in remote areas.*

*Using the post office to purchase policies, send data, and update policies is safe, and has also saved customers costs (Manager 7).*

The commercial insurer's removal of obstacles to quick and easy transactions in selling and collecting the premium motivated partners in their pursuit of increased market share:

*Slow decision-making is an obstacle ... competition is high. So quick decisions... easy transactions in selling*

*and collecting premium are good to ... gain market share (Manager 6).*

### **Channel communication**

Five senior managers deciphered how channel communication was pivotal in the attempts of a commercial insurer to enhance client understanding, deliver a variety of benefits to clients, and promote transparency at various levels of the channel. One of the senior managers echoed this as follows:

*(Name of insurers) is serious ... it tries to ensure customers understand the benefits on their existing policies and conditions in which their claims can be made or even declined. The [name of insurer] communicates to everyone from customers all the way to funeral parlours ... to know who does what ... when ... until premiums ... is received or a claim is processed (Manager 6).*

Another senior manager was clear that the use of simple names, and the translation of product terms and conditions into the local language benefited different types of consumers – but also the sales team in the channels:

*Besides naming the products simply, e.g. the 'simple life cover', the product terms and conditions are indeed simple to understand ... written in plain English and others translated to SiSwati. It's easy for us to explain ... to even make older people understand the product features and benefits (Manager 5).*

### **Close proximity to people**

According to all the eight senior managers, there was an economic (for example, sales team visits to distant rural areas reduced costs for clients) and behavioural dimension in respect of how micro insurance was close to people (for example, trusted collectors of premiums). One of the senior managers exemplified close proximity to the people as follows:

*The agent selling micro insurance goes as far as Nkonjaneni in northern Hhohho region, visits people ... at workplaces then waiting for people to come to agents' offices in Manzini. Instead of paying E20.00 for transport to make a E11.00 premium payment, the local Alliance church accepts and remits the premiums on behalf of the individuals (Manager 4).*

In a different vein, the use of people residing within the local community and from local community-based organisations to collect premiums meant that micro insurance was socially close to the people:

*The churches, church elders are near and in touch with the people ... they get premiums from as low as E11.00 for E3,000 cover on an individual member joining at the maximum age of 85 years on the [local name] funeral plan. This is affordable. Other insurers charge E36.00 for a person who is 65 years and above (Manager 2).*

## **DISCUSSION**

It is noteworthy that a commercial insurer needs to achieve its full potential in micro insurance distribution – by increasing the scope of the novelty and diversity of non-traditional channels that already transact with low-income people. However, the nature of channels used by the commercial insurer in Swaziland manifested as a limited variety of non-traditional channels typified by faith-based organisations (for example, a church), state-owned organisations (for example, post office), co-operatives (for example, credit and saving cooperatives) and private businesses (for example, funeral parlour, broker).

Studies by Merry et al. (2014) with more than 60 partners distributing micro insurance in different countries (for example, Haiti, Ghana, South Africa, Pakistan) revealed that the diversity of non-traditional channels for micro insurance is ever growing. For instance, cash and credit-based retailers, utilities (for example, gas, water, electricity), telecommunications companies, mobile network operators and agricultural suppliers are some of the alternative channels for micro insurance in India, Bangladesh, South Africa, Zimbabwe and Tanzania (Merry et al., 2014; Sandquist et al., 2015).

While it is positive that non-traditional channels are characterised by scale in terms of the ability to access a large group of potential clients at a low cost, and trust within the community, initial lack of technical expertise has the potential to negatively affect partner productivity. In fact, "if partners are not productive quickly, they do not receive value and lose interest in the scheme" (Merry et al., 2014).

Furthermore, productivity also suffers when both distribution partners and beneficiaries are all in an uncharted or unfamiliar market. This underscores the need for tailored non-traditional channel development, consumer education and a learning culture, and a climate for everyone to learn and develop to their full potential (Biese et al., 2016:29; Kotler and Armstrong, 2017).

It is clear that the non-traditional channels used by the commercial insurer were predominantly human and not much enabled by technology. Biese et al. (2016) state that human channels are more expensive than digital channels. To ensure high-volume, low-cost, ease of administration, and sending text message (SMS) reminders for premium payments – commercial insurers in Swaziland are advised to consider partnerships with mobile network operators who already have high market penetration (Leach and Kachingwe, 2015).

Studies in Kenya have shown that the entry of mobile payment models such as M-PESA has solved problems of premium collection and claims payments (for example, a vast network) – thereby removing a significant constraint to insurance distribution (Biese et al., 2016). Nonetheless, it is prudent to always balance the human and digital aspects of a channel. Despite the efficiency of digital, the adage remains that insurance is not bought, it is sold (Lewin, 2014). Thus, face-to-face persuasion is key to overcoming prejudices of low-income people regarding insurance (Kotler and Armstrong, 2017; Leach and Kachingwe, 2015).

The way distribution partners are selected is critical, and requires a methodical approach. Arguably, a bricolage which Weick (1993) characterises as using “whatever resources and repertoire one has to perform whatever tasks one faces”, is closer to how partners were chosen by the commercial insurer in this study. In this way, commercial insurers are not exhaustive enough to ascertain all critical issues, in order to select a cost-effective and non-traditional channel to reach low-income people (Merry et al., 2014).

The innovative and evolving nature of diverse non-traditional partners necessitates that commercial insurers develop, update and use comprehensive criteria to select appropriate distribution channels and members (Kotler and Armstrong, 2017; Cheston et al., 2018). The manifested strategy of the commercial insurer to distribute micro insurance in Swaziland is interesting – as it hinged on four inextricable components related to novel partnerships, ease of doing business, channel communication, and delivery of micro insurance close to the people.

Firstly, it is interesting that there was no segmentation of partnerships or distribution channels by the commercial insurer to match with a particular consumer segments – leading to coincidental access to low-income clients. Some commercial insurers are sceptical about market demand for micro insurance, such that they offer products in the micro insurance space without deliberately designing and targeting them for the segment of micro insurance in the market.

The consequence is the *en passant* or incidental distribution of micro insurance products that may only achieve ephemeral success, if any. Hougaard et al. (2011) advise that “where the majority are poor, there is a convincing argument to stop regarding micro insurance as peripheral “microbusiness” with few homogenous clients. This resonates with the findings of a study in India which found that micro insurance is an enormous business opportunity not only to serve the underserved informal economy – but also to attain sustainable economic development (Shaik and Babu, 2018).

Secondly, the manifested distribution strategy also underscores that mutual trust perceived, experienced and managed at multiple levels of the client, partner and commercial insurer in a distribution channel, is a

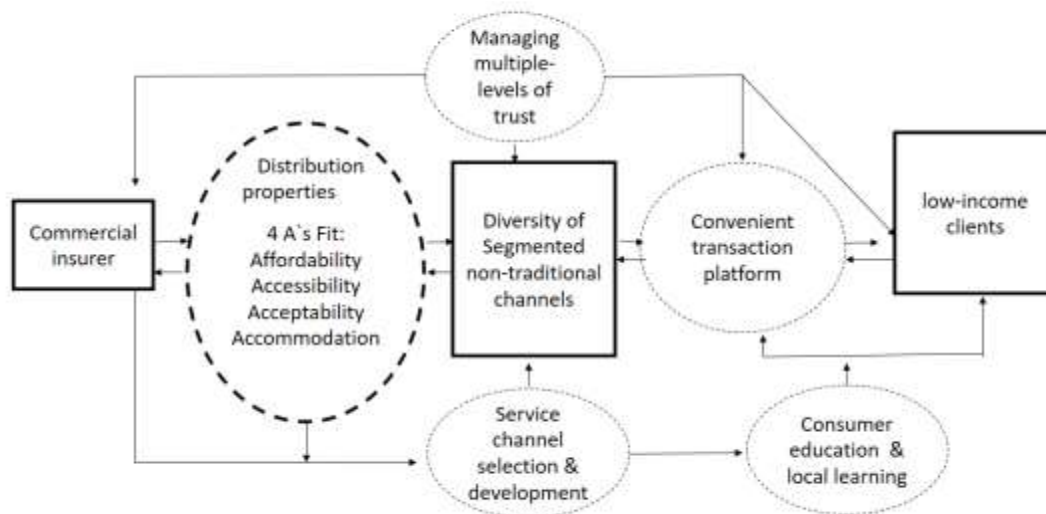
fundamental part of relationship-orientated channel management, if alternative channels are to be trusted advisors for low-income people and trusted business associates for commercial insurers (Cheston et al., 2018).

In this vein, Hougaard et al. (2011) concluded that despite the convenience of a transaction platform, low-income people in Swaziland would only find insurance attractive if more information and education was available – because they believe that sales people do not always have their best interests at heart. Thus, while trust generates cooperation of clients, it also exposes them to opportunism and exploitation (Reiersen, 2017). It is crucial that low-income clients trust non-traditional channels, commercial insurers, micro insurance products, and also the convenient transaction platform based on understanding. This also illustrates how a distribution channel is an inter-organisational collective where the needs of every player should be analysed and satisfied (Kotler and Armstrong, 2017). Research attests that the distribution of micro insurance helped the post office in Morocco to increase profits, but also retain its clients (Merry et al., 2014). It is valuable for a commercial insurer to decipher distribution partners’ need and how each of them can get a competitive advantage by distributing micro insurance to their existing base of clients.

Thirdly, channel communication in this study was useful to communicate and ensure client understanding of benefits and conditions in policies which is a key part of the quality of sales. A study which focused on mobile micro insurance in Zambia concluded that when low-income people lack a basic understanding of micro insurance, they do not use it properly, often feel deceived, and subsequently fail to renew the policy concerned (Leach and Kachingwe, 2015). Arguably, selling insurance which is not understood properly, is a self-defeating strategy.

Lastly, the study revealed how reducing geographical distance and its economic implications for clients is just one of the key aspects to getting micro insurance products and service closer to people. Micro insurance was also socially close to people when local individuals who know their communities and are themselves known by the people were involved and accepted to give technical advice or to reinforce premium collection from clients. This is a significant pointer to a sociological system where human social interactions, local rules and processes bring solidarity, and separate low-income people not only as individuals, but as members of a micro insurance group – especially in environments with little insurance culture. Micro insurance firms need to offer incentives not just at the organisational level (for example, church), but also the level of individuals (for example, sales force) in non-traditional channels. Given the aforementioned, it is more edifying to bring out from these findings a set of basic components and their





**Figure 1.** Framework of micro insurance distribution.  
Source: Author's compilation (2018).

relationships – in order to propose a useful distribution framework.

### Framework of micro insurance distribution

The framework of micro insurance distribution that is proposed suggests that effective micro insurance distribution occurs when specific distribution properties – namely affordability, acceptability, accessibility and accommodation (4A's) – permeate a variety of non-traditional channels, and also become part of a convenient transaction platform for ensuring that low-income people are reached by micro insurance. In the micro insurance distribution framework in Figure 1, components have been defined, while statements of relationships are highlighted.

#### Distribution properties: 4A's

It is fundamental that a commercial insurer needs to ensure that alternative channels for micro insurance are:

- (1) Acceptable
- (2) Affordable and
- (3) Accessible to low-income people. While meeting these needs of clients, it is also important that a commercial insurer ensures that the business needs of non-traditional channels are also met, or
- (4) Accommodated in a profitable and sustainable way (Cheston et al., 2018).

A non-traditional channel is more effective when most of the four 4 A's complement each other to distribute micro

insurance. The way that non-traditional channels are trained and clients educated needs to also reinforce the 4 A's as key in reaching low-income people (Lewin, 2014). The outcome of interactions in non-traditional channels with their respective contexts and clients may also redefine the meaning of any of the aspects of the 4 A's. Scholarly understanding of what facilitates or inhibits the distribution of the 4 A's in micro insurance distribution channels or transaction platforms, has triggered research interest.

#### Diversity of segmented non-traditional channels

As the plethora of non-traditional channels for micro insurance continues to grow (for example, digital channels, retailers, churches), it is important for a commercial insurer to also increase the diversity of channels and their members (Leach et al., 2015; Prasad et al., 2014). Thus, diversity and segmentation of the various channels to match with consumer segments – is necessary to meet the needs of different types of clients of micro insurance (for example, literacy levels, age, gender), and to deliver value to commercial insurers and non-traditional distribution partners (Hillier, 2018). An alternative channel is cost-effective if it delivers the 4 A's for the commercial insurer and is also well-matched to satisfy the needs of distribution partners and low-income people. Non-traditional partners expect more than an additional source of revenue stream derived from their role in micro insurance distribution. Merry et al. (2014) advise that a commercial insurer's product needs to solve an important problem for the distributor. This is key to incentivising distributors in order to ensure a product's success. Feedback on how well the 4 A's are manifested

or not in the channels is valuable for informing the nature and mix of non-traditional channels.

### **Convenient transaction platform**

Processes (for example, premium payment, servicing) and structures (for example, mobile, social and physical infrastructure) are necessary for ensuring reliable, convenient and simple execution of various micro insurance-related activities by clients and distribution partners (Glaesener-Nasr, 2017). For instance, ease of revising policies is important for clients while regular payment of premiums by clients is a key transaction for distribution partners and the commercial insurer. With role clarity and group processes, some individuals are entrusted to facilitate premium collection and payment on behalf of others. Mobile payment solutions enabled by technology are increasingly offering a reliable platform for transactions – irrespective of where low-income people live.

### **Managing multiple levels of trust**

Trust is a barrier if it does not prevail between the commercial insurer and distribution partners, and also between distribution partners and clients (Cheston et al., 2018). When clients distrust micro insurance, they do not take it up, and cancel or refuse to renew micro insurance policies. Thus, commercial insurers and distribution partners have a key role in managing trust at multiple levels (e.g. product, partner and insurer levels) to reduce the cost of precautions and monitoring, and also to make cooperation easier. Trust acts as a “booster” to enable people in a group to enter into a mutually committed relationship (Reiersen, 2017). However, this is insufficient if clients do not trust the product and its benefits or the transaction platform. Within networks, members meet regularly, know each other well and may be willing to punish those who fail to keep promises. Trust functions as an effective enforcement mechanism in formal and informal agreements of cooperation – while reducing opportunism (Reiersen, 2017). Trust is valuable among low-income clients in small-scale interactions within local groups or networks in the communities (Reiersen, 2017).

### **Service channel selection and development**

Training and development of carefully selected alternative channels and channel members (which may have nothing to do with insurance) is critical for effective micro insurance distribution, and quality of sales - not just quantity (Belanger, 2016). Different non-traditional channels have different training needs to enhance capability and scalability of distributing micro insurance.

Lewin (2014) posit that tailored and continuous channel development and training is key for meeting the different needs of diverse non-traditional partners so that they become trusted advisors for clients, trusted business associates for commercial insurers, reliable sales force or platforms for payment. Continuous training of intermediaries is key to maintain consistency, enforce quality, and at the same time provide flexibility to encourage non-traditional distribution partners to think creatively when serving low-income clients. Shifting vendors of air time from a purely mobile payment platforms to an agency role is key to future channel development in micro insurance (Chummun, 2017:12-15).

### **Consumer education and learning**

Consumer education and awareness is key for low-income clients to understand not just micro insurance principles, but for making informed comparisons and product choices and for learning to trust distributors and transaction platforms (Lewin, 2014). As alluded to earlier, many low-income people are sceptical of insurance providers, insurance sales agents and of the insurance products themselves. Insurance education and learning are very important for enlightening such consumers and should embrace the diversity of potential clients. Informal mechanisms also need to be used as a stepping stone into the formal system and to at least raise awareness of the insurance mechanism.

Two aspects make the proposed framework of micro insurance distribution unique and more holistic. First and foremost, micro insurance scholars (Biese et al., 2016; Merry et al., 2014; Zieniewicz, 2014) have to date not developed any framework or model on micro insurance distribution. Instead, we have catalogues or descriptions of what have been construed as strengths and weaknesses of various non-traditional channels, and lists of critical components in micro insurance distribution – as construed by different scholars. Some of these lists overlap, while others do not. For example, Biese et al. (2016) have listed most, but not all the components in the proposed framework. In this way, their list is not comprehensive. It has omitted distribution properties and multiple-levels of trust. The proposed framework depicts micro insurance distribution as a whole, with constituent components and various interrelationships.

Kotler and Armstrong (2017) as marketing scholars, have provided a generic framework of distribution, and have focused only on levels of distribution channels between the producer and consumer to show the pathways. The proposed framework includes pathways, but also facilitative issues such as nature of trust, transaction platform, and consumer education – which are all key components in micro insurance distribution. The proposed framework is holistic in that it offers

practitioners a basis to meaningfully theorise their practice, but also to practise the theory of distributing micro insurance without ignoring any key component.

### Implications for research

It is noteworthy that all the various components of micro insurance distribution, as proposed in the framework, need to be subjected to further exploratory research involving a variety of senior managers, in different types of commercial insurers and distribution partners. The framework is less abstract, such that the need to capture as much contextual diversity as possible – is imperative for enhancing explanatory power.

Three implications are identified regarding channel comparisons, the research sample, and sociological understanding of micro insurance distribution. This study focused on the number, type and characteristics of non-traditional distribution channels. Future research needs to go beyond the nature of channels to undertake systematic comparisons “between channels and within channel members” – to gain a deep understanding of the internal functioning and socio-economic relations in non-traditional channels.

A major limitation of the study is the exclusion of views of non-managerial stakeholders. More inclusive empirical studies are needed to include lower-level employees, micro insurance clients and regulators in the sample – to enrich our understanding of micro distribution in this context. It is also prudent that future studies also use a variety of data (Yin, 1994). If accessible, documents may help by revealing events and actions that may not be remembered by senior managers.

Lastly, the study has revealed that bringing micro insurance close to people has three dimensions: economic, behavioural, and social. These should not be analysed in isolation. However, the social dimension opens up the sociology of distribution. Thus, how distribution of micro insurance through non-traditional channels is shaped by sociology, particularly small-scale interactions, social conditions and norms at the level of groups or community, is an interesting area for future research.

### CONCLUSION

Many non-traditional channels characterised by scale to reach large groups of potential clients at low cost and the ability to provide quality technical advice to clients, if trained and developed properly – are helpful for enhancing micro insurance distribution. Furthermore, the study also concludes that the failure of a commercial insurer to segment and match non-traditional channels with low-income clients, undermines the cost-effective distribution of micro insurance.

In pursuit of a multi-channel distribution strategy, a commercial insurer should underpin four cardinal and inextricable aspects – novel partnership which may sometimes involve non-commercial partners, ease of doing business, channel communication, and bringing micro insurance close to the people geographically and socially. It is interesting that the social notion that micro insurance is also socially close to people, opens up a potentially fruitful line of inquiry into the sociology of distributing micro insurance. Pragmatically, the framework of micro insurance distribution proposed in this study offers micro-level, practical nuances of “doing” micro insurance distribution – to achieve scale and efficiency in a specific context or any other similar contexts. In this concrete way, the study is original and pragmatic for commercial insurance practitioners who are currently hesitant to venture into this vast and untapped market in Africa. Although the framework is less abstract, it is a significant start to fuelling further exploratory research to generate a contextually relevant practice of distributing micro insurance with greater explanatory power, across a variety of contexts where the poor live in Africa.

### CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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*Full Length Research Paper*

# Untangling the concept of entrepreneurship towards a common perspective

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There continues to be a lack of a commonly agreed perspective of entrepreneurship despite the concept being studied for a long period of time. Definitions of the concept and constructs of study in the field have depended on the researcher's conceptualisation of what constitutes entrepreneurship and as a result there are variations in the study focus and measurement of entrepreneurship. An analysis of literature was therefore conducted to untangle the concept of entrepreneurship towards a common perspective despite similar failed attempts by scholars in the past. The analysis showed that researchers and theorists trace entrepreneurship through the same early theorists that include Cantillon, Say, Marshall, Walker, von Thunen, Menger, von Mises, Schumpeter, Knight, Kirzner, Shane and Venkataraman etc. That means the background to the concept is the same but with varying interpretations. The underlying perspective however is that entrepreneurship is a human behaviour with identifiable driving motives and it requires definitive competencies; skills, knowledge and abilities. The behaviour is purposively exerted, involves various activities and judgmental decisions that are undertaken through a process of identifying, evaluating and exploiting opportunities to create socioeconomic value under conditions of uncertainty. Although the socioeconomic value manifests in new products or services, new sources of supplies, new methods of production, new markets and/or new organisations, it is the new organisation that is commonly recognised as the output of the entrepreneurship process. This perspective narrows and limits the understanding of the concept of entrepreneurship to new and small business ventures with implications on measurement of entrepreneurship. Our analysis shows that all variations of entrepreneurship such as sole entrepreneurship, corporate entrepreneurship, necessity motivated entrepreneurship, opportunity motivated entrepreneurship and social entrepreneurship etc are connected within the broader view of the same concept, thereby presenting a common perspective of entrepreneurship.

**Key words:** Entrepreneurship, entrepreneur, entrepreneurship behaviour, entrepreneurship process, entrepreneurship outputs, outcomes and impacts.

## INTRODUCTION

Entrepreneurship has been widely studied, its understanding has evolved and its usage has proliferated

across sectors and industries. It is surprising that despite the number of studies conducted and the prominence of

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the concept, there is no consensus on how the concept should be defined (Henrekson and Sanandaji, 2014). Brockhaus and Horwitz (1985) and other researchers noted, and through this analysis we further notice, that there is no single absolute definition of the concept of entrepreneurship. Efforts have been unsuccessful in the past to define the concept if we may listen to the experience of Cole (1969):

My own personal experience was that for ten years, we ran a research center in entrepreneurship history, for ten years we tried to define the entrepreneur, we never succeeded (Cole, 1969).

It is further acknowledged that Gartner (1990) noting the lack of a common core or understanding of the field, conducted a study in an attempt to define entrepreneurship but no common definition resulted. Only eight themes were produced that included; entrepreneur, innovation, organisation creation, creating value, profit versus non-profit, growth, uniqueness and the owner-manager. Previous studies conducted to define the concept of entrepreneurship have not resulted in a commonly agreed definition. The concept of entrepreneurship is multidimensional (Bula, 2012) and definition wise contentious (Shane, 2003; Sorensen and Fassiotto, 2011).

The definition of entrepreneurship therefore depends on the perspective of the scholar. Several scholars have defined entrepreneurship (Sheehan, 1950; Gartner, 1985, 1988; Stevenson and Jarillo, 1990; Baumol, 1990; Shane and Venkataraman, 2000) but reaching an agreement on a single definition seems unlikely thereby prompting others to suggest that we should not worry about a definition but rather focus on key issues about the field. Not many studies have been conducted since, to provide a common understanding of the concept. This is a precarious situation because without a common perspective of entrepreneurship, and with its proliferated usage, how will scholars conceptualise necessary constructs of study in relevant areas in the field? How could we agree with Shane and Venkataraman (2000) when they said that the focus of entrepreneurship research should be to examine the how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited, if we do not agree with their conceptualisation of entrepreneurship? The proliferated use of the concept in sectors such as education, adds more confusion as to what entrepreneurship really is. When the University of Malawi for example says one of its core values is entrepreneurship, what does that mean? Hoppe (2016) asks, 'Are we talking about the same thing' (p.104), when we talk about entrepreneurship?

These questions prompted an analysis of empirical studies with the aim of providing a synthesis of

perspectives of the concept of entrepreneurship. It is our attempt to draw out a common understanding of entrepreneurship from key empirical studies without re-inventing the wheel. Economists, sociologists, psychologists, anthropologists, business administrators, strategists, marketers, financiers, historians, and geographers have studied and defined entrepreneurship from the frontiers of their respective disciplines (Carlsson et al., 2013). The understanding of entrepreneurship, in this paper, is drawn from studies that essentially looked at the same concept from different angles, illuminating the metaphor of the blind men and the elephant.

The common perspective of entrepreneurship will be useful in contemplating and developing appropriate measures of the concept. It is difficult to measure what you cannot define, nor it is to agree on measures when you cannot agree on the understanding of the concept. It is expected that other scholars will find this analysis useful too as it highlights the various perspectives through which entrepreneurship has been viewed and research undertaken. With the proliferation of the concept the analysis will help those outside the field to use the concept of entrepreneurship in a considered and appropriate context.

In this paper we aim to untangle the concept of entrepreneurship towards a shared perspective. Therefore we first provide the background to the concept of entrepreneurship, highlighting why the concept has grown in importance across sectors, and how its understanding has evolved. The analysis is moved further towards building a common perspective of the concept highlighting the connectedness of the variants of entrepreneurship, and closes with a synthetic definition of the concept of entrepreneurship that moves us towards a common perspective.

## THE CONCEPT OF ENTREPRENEURSHIP

The words entrepreneurship and entrepreneur have been used widely in literature and at times, used synonymously. The concept of entrepreneurship has spanned across sectors and it is having increasingly wider usage in education and non-profit making sectors. The popularity of the concept originates from economics where entrepreneurship is accepted as one key process to economic growth and development and the entrepreneur as the economic agent in that process (Cantillon, 1775; Say, 1816; Schumpeter, 1934).

Nitu-Antonie et al. (2017), Lee and Xin (2015), Chen, (2014), Erken et al. (2014), Salman and Badr (2011), Vazquez et al. (2010) and Audrestch (2007) are among those who found that entrepreneurship is an important factor for economic growth, while Kardos (2012), Stefanescu and On (2012) and Talmaciu (2012) found correlations between entrepreneurship activities and

economic development. Decker et al. (2014), Haltiwanger et al. (2013) and Audretsch and Fritsch (2003) are among the various researchers who found that entrepreneurship creates jobs in an economy. It is this type of study findings that stretch back several decades that have put entrepreneurship in the spotlight amongst scholars and practitioners.

The perceived importance of entrepreneurship makes it an area of interest to academics for study and development of education, and to politicians for development of strategies for economic development and poverty eradication in the case of developing countries. However, the concept of entrepreneurship lacks a commonly agreed definition (Henrekson and Sanandaji, 2014; Brockhaus and Horwitz, 1985) despite the fact that almost all researchers and writers trace its origins to the same economic theorists.

### Evolution of the concept

When tracing the origins of the concept of entrepreneurship, researchers follow through the writings of classical and neo classical economists from the French, British, American, German and Austrian schools of thought, see Kirby (2003, p.16). The prominent economic theorists include Cantillon (1680-1734), Baudeau (1730-1792), Say (1767-1832), Adam Smith (1723-1790), Ricardo (1762-1832), Walker (1799-1875), von Thunen (1785-1850), Menger (1840-1921), Marshall (1842-1924), von Mises (1881-1972), Schumpeter (1934), Knight (1921), Kirzner (1973), and Shane and Venkataraman (2000) (Kirby, 2003). The reason why a common perspective has not been forthcoming is because of the differences in interpretation and stand points.

Literature points to Cantillon (1680-1734) as the first economist to have coined the word entrepreneur from a French verb 'entreprendre' which means to undertake (Kuratko and Hodgetts, 2007). He was also the first to recognise three classes of agents of economic change that included land owners as suppliers of capital, entrepreneurs and labourers. Cantillon perceived the discrepancies between supply and demand as opportunities for buying raw materials at certain prices in the present and selling at uncertain prices in the future with the hope of making a profit, the conceptualisation that was advanced further by von Mises and Kirzner. He described individuals who undertook such activities as entrepreneurs (Cantillon, 1755). The actions of entrepreneurs were the economic activity that moved markets towards the state of equilibrium. The writings of Cantillon (1755) gave the concept of entrepreneurship its economic meaning and the entrepreneur a role in economic theory (Cornelius et al., 2006). Entrepreneurs were considered as risk bearers because of the

uncertainty of future market prices. Therefore, it is from Cantillon (1755) conceptualisation that entrepreneurs are characterised as risk takers and because Cantillon (1755) entrepreneurs were largely self-employed, entrepreneurship became synonymous with self-employment. However, the notion of self-employment opened the concept wide, since Cantillon (1755) considered all self-employed individuals such as farmers, beggars and robbers who faced economic uncertainty in life as entrepreneurs (Herbert and Link, 1989).

To this day, most self-employed individuals consider themselves entrepreneurs. Baudeau (1730-1792) then married the concepts of entrepreneur and innovator, arguing that the entrepreneur invent and apply new technologies in order to reduce costs and raise profits (Kirby, 2003). The concept of innovation became dominant in Schumpeter's theorisation of entrepreneurship that brought economic change. The identification of opportunity, being the perception of the discrepancies between supply and demand in the market (Kirzner, 1973), was not emphasised in the concept at this point. Smith (1723-1790) and Ricardo (1772-1823) on the other hand merged the functions of the entrepreneur and the capitalist, and considered profits the reward for risking capital premised on the fact that entrepreneurs invested their own capital in their businesses.

However, Say (1762-1832) distinguished the entrepreneur from the capitalist and the labourer. He considered the factors of production in an economy to include capital, land and industry where the industry comprised the labourer and the entrepreneur. Say (1816) described the entrepreneur as the coordinator of factors of production, the individual who united all the means of production, the establishment of the entire capital he employed, and the value of the wages, the interest and the rent which he paid as well as the profits belonging to himself (Say, 1816). The entrepreneur was distinct from the capitalist and labourer although he acknowledged that all functions may be combined in one individual when he/she is the supplier of capital, labour and plays the role of the entrepreneur (Sheehan, 1950).

Von Thunen (1785-1850) advanced the difference between the entrepreneur and the capitalist on the basis of how each is compensated noting that the profit is the residual, the return for entrepreneurship risk, a position supported by F. Walker (1840-1897) and Hawley (1843-1929) (Kirby, 2003). With this conceptualisation, the entrepreneur coordinated the factors of production, created goods, services and organisations cementing his economic role, and entrepreneurship was therefore perceived as the process through which an entrepreneur fulfilled these functions.

From the American school, Walker (1799-1875) perceived an entrepreneur as the creator of wealth. A position that was advanced further by his son Francis that

an entrepreneur is a rare and gifted person with foresight, energy and leadership qualities as well as a facility for organisation and administration (Kirby, 2003). While in the Austrian school, Menger (1840-1921) perceived entrepreneurial activity as about obtaining information in order to make decisions that give rise to economic change. Menger (1840) recognised uncertainty as a key challenge entrepreneurs faced, a concept that was further differentiated from risk by Knight (1921).

Looking back at Cantillon (1755) conceptualisation of the entrepreneur, the perception of the entrepreneur evolved from that of the individual who purchased raw materials at certain prices, to sell at uncertain prices in the future (Cantillon, 1755), the equivalent of the modern day trader, to the individual who coordinated the factors of production and responsible for the establishment of a new organisation (Say, 1816), a rare and gifted person, the innovator, creator of wealth (Kirby, 2003). Because entrepreneurs worked largely in the organisations they created, were self-employed, entrepreneurship became synonymous to self-employment. Successful entrepreneurship would then be recognised through the creation of a new organisation that produced goods and services and was managed by its creator, the entrepreneur. Risk bearing was considered the key ability of the entrepreneur.

From the eighteenth century therefore, entrepreneurship became to be known as the function of organising and directing the factors of production and of bearing the risk of supplying capital, and an entrepreneur as any proprietor who undertook organisation, ownership and management of practically any business (Sheehan, 1950). Eventually entrepreneurship became synonymous with the establishment of a business venture for the production of goods and services, and an entrepreneur as the individual who coordinated the process and created the new organisation.

The neo classical economist who brought a definitive and divisive perspective of the concept of entrepreneurship is Schumpeter (1934). Schumpeter (1934) developed an entirely new economic theory of entrepreneurship that was based on innovative change. His conceptualisation was developed upon the desire to understand what influenced economic development in a country. Schumpeter (1934) asserted that development came from change from within the economy, rather than reaction to change from outside and he considered entrepreneurs as agents of this economic change.

Schumpeter (1934) defined entrepreneurs as individuals who introduced new combinations into the market that led the markets into the state of new disequilibrium as opposed to moving markets towards the state of equilibrium as per Cantillon's (1755) conceptualisation. He considered disequilibrating change, as the change that ignited economic growth in a country. Schumpeter (1934) conceptualisation of the new

combinations that brought economic change included;

- (1) The introduction of a new good that is one with which consumers are not yet familiar, or a new quality of good;
- (2) The introduction of a new method of production that is not yet tested by experience in the branch of manufacture concerned, which need by no means be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially;
- (3) The opening of new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before;
- (4) The conquest of a new source of supply of raw materials or half manufactured goods, again irrespective of whether this source already exists or whether it has first to be created and
- (5) The carrying out of the new organisation of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position (1934 p.166).

Schumpeter (1934) asserted that the carrying out of these new combinations was called enterprise and the individuals whose function it was to carry them out were called entrepreneurs. Schumpeter's conceptualisation of entrepreneurship is definitive on three accounts. First, the manifestations of innovative change (the new combinations) broaden the outputs of the entrepreneurship process and illuminate the fact that entrepreneurship can take place in new or existing organisations. Although the carrying out of the new organisation (new venture creation) is the most commonly perceived form of entrepreneurship, new goods (products and services), new methods of production, new markets and new sources of raw materials (supplies) are all outputs of entrepreneurship. These new combinations have not received prominence in the measurement of entrepreneurship activities in an economy. The focus has been on new venture creation and not even on entrepreneurship in existing organisations. Secondly, Schumpeter's conceptualisation emphasised on innovative change that brings creative destruction, responsible for moving markets towards the state of new disequilibria. Schumpeter was aligning the entrepreneurship theory with economic development and it is his correct view that the new combinations are responsible for economic growth. However, while innovation is accepted as a key construct of Schumpeterian entrepreneurship, the definitional problem of innovation and what constitutes new, confound scholars' understanding of Schumpeter's concept of entrepreneurship.

Hassan and Harris (2009) defined radical (revolutionary) innovations as discontinuous, original basic or pioneering, innovations and incremental (evolutionary) innovations as



small improvements made to enhance and extend the establishment, processes, products and services. Although Schumpeter's description of the new combinations illuminates innovative change from both radical and incremental innovations, most scholars limit association of Schumpeterian entrepreneurship to radical innovations despite both types of innovations being responsible for creative destruction to different magnitudes of course.

Radical (revolutionary) innovations are likely to bring huge market destabilising effects whereas incremental innovations may improve or make goods and services meet market needs better, replace old products with new quality ones which are both elements of creative destruction but of different magnitude. The radical innovations move markets to new disequilibria, and incremental innovations move markets towards equilibrium as conceptualised by Kirzner (1973).

Stam (2013) notes that radical innovations are rare and far apart while incremental innovations are more common and frequent with implications on the effect of each type of innovation on economic development. Thirdly, Schumpeter's conceptualisation of entrepreneurship theoretically disqualifies the earlier notion from Cantillon (1755) that equated self-employment to entrepreneurship. Much as most entrepreneurs are self-employed, not all self-employed individuals are entrepreneurs because they do not bring new innovations to the market (Henrekson and Sanandaji, 2014). Self-employment should therefore not be regarded synonymously with entrepreneurship and to use it as an indicator of entrepreneurship in an economy would produce erroneous results on the prevalence of entrepreneurial activities.

From Schumpeter (1934), we have a broader understanding of entrepreneurship outputs. Entrepreneurship does not only result in the creation of a new venture but also new products, services, new sources of supplies, new methods of production and new markets. The key ability of the entrepreneur added by Schumpeter's conceptualisation is innovativeness although many scholars associate radical (revolutionary) innovations with Schumpeterian entrepreneurship. We will refer to the definition by Crossan and Apaydin (2010) who defined innovation as the production or adoption, assimilation and exploitation of a value added novelty in economic and social spheres; renewal and enlargement of products, services, markets, development of new methods of production and establishment of new management systems, to highlight that both radical and incremental innovations are necessary for entrepreneurship and are responsible for creation of new combinations.

From the early conceptualisation, the understanding of the entrepreneur has evolved from the speculator of supply and demand (Cantillon, 1755), to the coordinator

of factors of production (Say, 1816) and then to the innovator who brings new combinations responsible for economic growth (Schumpeter, 1934). The increased perceived importance of entrepreneurship and the role of the entrepreneur in the economy, saw mushrooming of studies that were grounded in the conceptual theories of Cantillon (1755), Say (1816) and Schumpeter (1934) amongst the key early economists. The studies were conducted to advance the understanding of entrepreneurship and it is not surprising therefore that various definitions of the concept have been put forward grounded in early theories but from the perspectives of individual researchers.

## **Definitions of entrepreneurship and the entrepreneur**

### ***Definitions of entrepreneurship***

In Table 1, we highlight some of the definitions of the concept of entrepreneurship to trace the understanding of the concept from scholars' perspectives. The conceptualisation of entrepreneurship from Say (1816) and classical and neoclassical economic theorists is that, entrepreneurship is the function, process of coordinating, organising and directing the factors of production to produce economic value (goods and services). It is observed that definitions of entrepreneurship revolve around this understanding. The definitions have focused either on the process of entrepreneurship; the outputs of the entrepreneurship process, a combination of both or some have highlighted elements which are considered fundamental in the entrepreneurship process (Table 1).

Some scholars have tried to provide too descriptive synthetic definitions and others have been concise. Cole (1959) defined entrepreneurship as the process of taking purposeful activities including an integrated sequence of decisions of an individual or group of individuals, undertaken to initiate, maintain or aggrandise a profit oriented unit of production or distribution of economic goods and services. Sheehan (1950) and Leibensteins (1968) have definitions with similar focus on the activities and decision making for the coordination of resources and production of goods and services in a new or existing organisation. Howell (1972) and Gartner (1988) defined entrepreneurship as founding of a new business while Timmons (1989) defined entrepreneurship as the creation, building and distribution of something of value from practically nothing, a definition extended by Hisrich et al. (2009). Kirzner (1973) defined entrepreneurship as related to seizing opportunities in the economy, Stevenson and Jarillo (1990) defined entrepreneurship as the process by which individuals either on their own or inside organisations pursue opportunities without regard to the resources they controlled and Shane and Venkataraman (2000) defined entrepreneurship as the

**Table 1.** Sampled definitions of entrepreneurship.

Author	Definition
Sheehan (1950)	Entrepreneurship is the basic decision making regarding the combination and use of human labour, natural resources and capital instruments, for producing goods and services that men need and want for living
Cole (1959)	Entrepreneurship - the purposeful activities (including) an integrated sequence of decisions of an individual or group of individuals, undertaken to initiate, maintain or aggrandise a profit-oriented business unit for production or distribution of economic goods and services (p.7)
Leibenstein (1968)	By routine entrepreneurship we mean the activities involved in coordinating and carrying on a well-established going concern in which the parts of production function in use (and likely alternatives to current use) are well known and which operates in well-established and clearly defined markets. By N-entrepreneurship, we mean the activities necessary to create or carry on an enterprise where not all the markets are well established or clearly defined and/or in which the relevant parts of the production functions are not completely known (p.73)
Howell (1972)	Entrepreneurship is the act of founding a new company where none existed before. Entrepreneur is a person and entrepreneurs are a small group of persons who are new company founders
Kirzner (1973)	Entrepreneurship is related to seizing opportunities in the economy, where the entrepreneur is characterized by "alertness to hitherto undiscovered opportunities"
Timmons (1989)	Entrepreneurship is the creation, building and distribution of something of value from practically nothing
Gartner (1988)	Creation of organisations is entrepreneurship
Stevenson and Jarillo (1990)	Entrepreneurship is a process by which individuals either on their own or inside organisations pursue opportunities without regard to the resources they currently control
Shane and Venkataraman (2000)	Entrepreneurship is the process of discovery, evaluation and exploitation of opportunities
Dollinger (2008)	Entrepreneurship is the creation of an innovative economic organisation or network of organisations for the purpose of gain or growth under conditions of risk and uncertainty
Hisrich et al. (2009)	Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence
Gries and Naude (2011)	Entrepreneurship is the resource, process and state of being through and in which individuals utilise positive opportunities in the market by creating and growing new business firms (p.217)
Berglund and Holmgren (2013)	Entrepreneurship is a dynamic and social process, where individuals, alone or in co-operation, identify opportunities and do something with them to reshape ideas to practical or aimed activities in social, cultural, or economical contexts (p.18)
Carlsson et al. (2013)	Entrepreneurship refers primarily to an economic function that is carried out by individuals, entrepreneurs, acting independently or within organisations, to perceive and create new opportunities and to introduce their ideas into the market, under uncertainty, by making decisions about location, product designs, resource use, institutions and reward systems

discovery, evaluation and exploitation of opportunities. Kuratko and Hodgetts (2007) condense the definitions of entrepreneurship by defining entrepreneurship as a dynamic process of vision, change and creation.

These sampled definitions are about the same concept but with varying description focus. The definitions have either focused on the entrepreneurship process, the outputs of entrepreneurship process, or a combination of both. Cole (1959) defined entrepreneurship with the focus on the entrepreneurship process that involves activities and decision making. He however, did not highlight the key activities and decisions in the entrepreneurship process but rather highlighted the outputs of the entrepreneurship process as the initiated unit(s) of production, a maintained and/or aggrandised unit(s) of production. The scholars who defined entrepreneurship as the act of founding a new business (Howell, 1972; Gartner, 1988) focused on the output of the entrepreneurship process thereby referring to the activities involved in founding a new business as entrepreneurship. They isolated new venture creation from the five manifestations of innovative change provided by Schumpeter (1934) as definitive for entrepreneurship. However, Timmons (1989) simply referred to the output of entrepreneurship process as something of value. The definitions by Kirzner (1973), Stevenson and Jarillo (1990) and Shane and Venkataraman (2000) highlight opportunities as a key construct of entrepreneurship process and the definition by Shane and Venkataraman (2000) provides discovery, evaluation and exploitation as the phases of entrepreneurship process, thereby elaborating the areas of activities and key decision making which are silent in other scholars' definitions. The definitions by Kirzner (1973), Stevenson and Jarillo (1990) and Shane and Venkataraman (2000) do not however elaborate on the outputs from exploitation of opportunities which we assume to be the manifestations of innovative change by Schumpeter (1934).

From the earliest conceptualisation, discrepancies between supply and demand (Cantillon, 1755) or rather market imperfections (Kirzner, 1973) were the opportunities that needed to be solved (exploited) by entrepreneurs in order to balance the economy. Kirzner (1973) considered entrepreneurial action as the process through which supply and demand was equilibrated whereas Schumpeter (1934) considered entrepreneurial action as the process through which markets were disequilibrated. In both Kirznerian and Schumpeterian conceptualisations, innovation underlies the entrepreneurial activities that would create destructive effects of different magnitudes that either move markets towards equilibrium or new disequilibrium. Due to the emphasis on creative destruction in Schumpeter's conceptualisation, scholars have commonly associated radical innovation with Schumpeterian entrepreneurship.

When we look at the definitions of entrepreneurship available in literature and herein sampled, are we not talking about the same thing when we talk about entrepreneurship?

An analysis of the definitions of entrepreneurship from the early theorists shows that all the definitions are of the same concept. Definitions have focused either on the entrepreneurship process or entrepreneurship outputs with different emphasis and elaboration. On the entrepreneurship process, some definitions have looked at the decision making and activities in coordinating factors of production without elaborating in the key areas for decision making or activities (Cole, 1959; Sheehan, 1950; Leibensteins, 1968). Other definitions have highlighted the opportunities in the entrepreneurship process (Kirzner, 1973; Stevenson and Jarillo, 1990; Shane and Venkataraman, 2000) and elaborated discovery, evaluation and exploitation as the main phases for activities and decision making (Shane and Venkataraman, 2000).

On entrepreneurship outputs, despite Schumpeter (1934) conceptualising five categories of new combinations from innovative change that are responsible for economic growth, most definitions have focused on new venture creation (founding of a new business) as definitive for the concept (Howell, 1972, Gartner, 1988). Timmons (1989) broadly referred to the definitive entrepreneurship output as something of value. Of late researchers are using a synthesis of the entrepreneurship process, a highlight of opportunities, and entrepreneurship outputs and outcomes when crafting a definition for entrepreneurship. For example Gries and Naude (2011) defined entrepreneurship as the resource, process and state of being through and in which individuals utilise positive opportunities in the market by creating and growing new business firms (p.217) and Berglund and Holmgren (2013) broadly defined entrepreneurship as a dynamic and social process, where individuals, alone or in co-operation, identify opportunities and do something with them to reshape ideas to practical or aimed activities in social, cultural, or economical contexts (p.18).

Carlsson et al. (2013) crafted a definition that tries to be as elaborate as possible and other scholars defined entrepreneurship based on selected parameters of their measurement interest e.g. Low (2009). However, all the definitions are talking about the same concept and have a common understanding that runs through in the narrow or broader sense of the definition of entrepreneurship.

### **Definitions of the entrepreneur**

There are also various definitions of the entrepreneur in literature some of which we have highlighted in Table 2. The definitions of the entrepreneur have been based on:

**Table 2.** Sampled definitions of the entrepreneur.

<b>Author</b>	<b>Definition</b>
Cantillon (1755)	Entrepreneur is a person who purchases a raw material at a known price in order to sell at an unknown price
Say (1816)	Entrepreneur is an agent who unites all means of production and who finds in the value of the products the establishment of the entire capital he employs and the value of the wages, the interest and the rent which he pays, as well as the profits belonging to himself
Lavington (1922)	In modern times the entrepreneur assumes many forms. He may be a private business man, a partnership, a joint stock company, cooperative society, a municipality or similar body (p.19)
Schumpeter (1934)	The carrying out, of new combinations we call, 'enterprise', the individuals whose function it is to carry them out we call entrepreneurs
Ely and Hess (1937)	(An Entrepreneur is) the person or group of persons who assume the task and responsibility of combining the factors of production into business organisation and keeping this organisation in operation...he commands the industrial forces, and upon him rests the responsibilities for their success or failure (p.113)
Dauids (1963)	Entrepreneurs are founders of new business (p.3)
Hornaday and Bunker (1970)	An entrepreneur is defined as a man/woman who started a business where there was none before - success is based on the business employing 8 people and staying in operations for 5 years ( p.50)
Brockhaus (1980)	An entrepreneur is defined as a major owner and manager of business venture not employed elsewhere (p.510)
Hull, Bosley and Udell (1980)	Entrepreneur is a person who organises and manages a business undertaking assuming the risk for the sake of profit
Lachman (1980)	Entrepreneur is perceived a person who uses a new combination of production factors to produce the first brand in an industry
Mescon and Montanari (1981)	Entrepreneurs are by definition founders of new business
Casson (1982)	An entrepreneur is someone who specializes in making judgmental decisions about the coordination (not just allocation) of scarce resources
Carland et al. (1984)	An entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth
Drucker (1985)	An entrepreneur is a person who looks out for change, responds to it and exploits the opportunity generated by the change
Herbert and Link (1989)	An entrepreneur is someone who specialises in taking responsibility for making judgmental decisions that affect the location, form and the use of goods, resources or institutions (p.47)
Baumol (1990)	Defined entrepreneurs as 'persons who are ingenious and creative in finding ways that add to their own wealth, power, and prestige'
Baron and Shane (2005)	An entrepreneur is someone who recognises the opportunity to create something new (p.7)

Table 2. Contd.

Kuratko and Hodgetts (2007)	An entrepreneur is one who undertakes to organise, manage and assume the risks of the business
Scarborough (2013)	An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalise on them

- (1) What the entrepreneur does
- (2) The characteristics/traits the entrepreneur is perceived to possess, and
- (3) What the entrepreneur produces, although there are differences in the elements of focus in each.

On the definitions based on what the entrepreneur does, Cantillon (1755) considers an entrepreneur a person who purchases raw materials at a known price in order to sell at an unknown price. Say (1816), Ely and Hess (1937) and Lachman (1980) consider an entrepreneur as the one who combines or unites the means of production; Schumpeter (1934) considers an entrepreneur as the one who carries out new combinations. Casson (1982) and Hebert and Link (1989) look at the entrepreneur as someone who specialises in making judgmental decisions about coordination of scarce resources.

Drucker (1985) and Baron and Shane (2005) consider an entrepreneur the one who exploit opportunities brought by change whereas Brockhaus (1980), Hull et al. (1980) and Kuratko and Hodgetts (2007) consider an entrepreneur the one who manages a business, in self-employment. On definitions based on what the entrepreneur produces, the majority consider the entrepreneur as the creator or founder of new business (Scarborough, 2013; Carland et al., 1984; Hornaday and Bunker, 1970; Mescon and Montanari, 1981). Baumol (1990) looks at the entrepreneur based on the characteristics or traits as someone who is ingenious and creative in finding ways to add to his own wealth, power and prestige. The definitions of the entrepreneur are mirrored in the conceptualisation of entrepreneurship by particular scholars (Table 2).

### Characteristics of entrepreneurs

It is evident from literature that the entrepreneur through his entrepreneurial activities and processes is the key agent of economic change. Walker (1840-1897) perceived an entrepreneur as a rare gifted person with foresight, energy and leadership qualities (Kirby, 2003). The entrepreneur is characterised as a bearer of risk/uncertainty (Cantillon, 1755; Say, 1816; Knight, 1921), a speculator (von Mises, 1996), innovator (Schumpeter, 1934), having alertness to opportunities

(Knight, 1921; Kirzner, 1973; Shane and Venkataraman, 2000), having desire for independence (Hornaday and Aboud, 1971; Hisrich and Brush, 1986), high need for achievement (McClelland, 1961), self-efficacy (Aldrich and Zimmer, 1986), creative (Baumol, 1990) and several other characteristics as highlighted by Amiri and Mariamaei (2012, p.153).

Various studies focused on the characteristics of the entrepreneur to understand the composition of this key agent of economic change and what drove his/her entrepreneurship behaviour. Studies agreed in the relevance of some characteristics and differed in some. Risk bearing for example, which was highlighted in Cantillon's conceptualisation as a key ability of the entrepreneur was distinguished from uncertainty bearing by Knight (1921). Knight argued that uncertainty is unique and uninsurable and the skills of the entrepreneur lied in the ability to handle the uncertainty.

Further, Schumpeter (1934) rejected the risk taking element if the entrepreneur only coordinated the factors of production arguing that the risk would be borne by the suppliers of the factors of production. However, looking at the differentiation of the capitalist and entrepreneur by Say (1816) an individual could bear the risk of supplying capital and bear the uncertainty of entrepreneurship process where he supplies both the capital and plays the role of the entrepreneur. It is common to have an individual supply capital and play the role of the entrepreneur at the same time; that it would become difficult to separate the functions when combined. In that case the entrepreneur would be deemed to bear both the risk and the uncertainty.

However, the study by Low and MacMillan (1988) found that firm owners do not differ significantly from managers or even the general population in risk taking. Brockhaus (1980) found similar results. These studies played down risk taking as an influencing characteristic for entrepreneurship behaviour although risk taking and uncertainty bearing are still attributed as vital characteristics of the entrepreneur. von Mises (1996) asserted that the success or failure of the entrepreneur depends on the correctness of his anticipation of uncertain events. If he fails in his understanding of things to come, he is doomed, thus demonstrating the level of risks and uncertainty borne by the entrepreneur.

Knight (1921) pointed to the recognition or discovery of

discrepancies between supply and demand as the opportunity spotting ability that entrepreneurs were perceived to have more than others. Earlier empirical researchers perceived the market imperfections, the discrepancies between supply and demand as opportunities entrepreneurs exploited to bring markets towards the state of equilibrium (Cantillon, 1755; Knight, 1921; Kirzner, 1973).

Later Venkataraman (1997) defined entrepreneurship opportunities as a set of ideas, beliefs and actions that enable creation of future goods and services in the absence of a current market for them while other researchers perceive any unfulfilled market need as an opportunity. Identification of such opportunities is a key ability of the entrepreneur and definitive of the outputs and outcomes of the entrepreneurship process. Shane and Venkataraman (2000) have since emphasised that entrepreneurship research should focus on the opportunities, to examine the how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited, thereby making an opportunity a key construct within entrepreneurship, and its identification, analysis and exploitation, the fundamental abilities of the entrepreneur.

From the conceptualisation of Schumpeter (1934), an entrepreneur is above all else an innovator. An entrepreneur anticipates and responds to change (Drucker, 1985) with the creation of innovations that bring forth economic growth. The emphasis on innovation is highly evident in technology based entrepreneurs in computer, mobile, internet, biomedical, defense, and nanotechnologies. Innovation has become an overriding ability of entrepreneurs responsible for high growth firms and is becoming synonymous with entrepreneurship behaviour. The other key characteristic of entrepreneurs that has been considered as a vital trait is the desire for independence. Hornaday and Aboud (1971) found that the desire for independence was higher in entrepreneurs than in the general population and Hisrich and Brush (1986) stated that the desire for independence was the prime motive for starting a business. The study by McClelland (1961) argued the case for high need for achievement as a significant trait of entrepreneurs while Aldridge and Zimmer (1986), highlighted self-efficacy as one of the important characteristics. Heinonen and Poikkijoki (2006) presented creativity, innovative approach to problem solving, readiness for change and self-confidence as the qualities of effective entrepreneurs whereas Camerer and Lavallo (1999) highlighted over confidence as a key trait of the entrepreneur.

In the end of synthesising the characteristics of the entrepreneur, we realise that entrepreneurship is all about behaviour, acting to create new combinations. We cannot tell entrepreneurs by their characteristics but what they do (Gartner, 1988). However, out of the characteristics highlighted above, we can isolate

pertinent skills and abilities that enable individuals to engage in entrepreneurship behaviour. We define entrepreneurship behaviour as the human action that involves identification and analysis of opportunities, making judgmental decisions in the allocation of resources and conducting activities to produce socioeconomic value. The skills and abilities isolated include ability to identify opportunities, ability to bear uncertainty and risks, ability to take initiative, analysis skills, creativity and innovation skills, planning and problem solving skills. Literatures contain more pertinent skills and abilities required for successful entrepreneurship.

### **Drivers of entrepreneurship behaviour**

Despite isolating the few skills and abilities considered necessary to individuals for entrepreneurship behaviour, possessing such skills and abilities does not make an individual an entrepreneur. An individual becomes an entrepreneur upon successful implementation of entrepreneurial activities and creation of new combinations that provide socioeconomic value. Therefore an individual needs the motivation to engage in entrepreneurship behaviour. Literature classifies into two categories, the motivations that drive entrepreneurs, as either the push or pull factors. McMullen et al. (2008) highlighted the push factors to include; unemployment, job dissatisfaction, job insecurity, inadequate remuneration, redundancy, disagreements with management or no other alternative to earn a descent living, whereas, the desire for independence, wealth creation, personal fulfilment, desire for recognition and personal development are some of the pull factors towards entrepreneurship behaviour. It should however be noted, that the motivations that drive entrepreneurs vary widely among individuals just as their individual characteristics. Roberts (1991) found that while wealth creation may be a motivation for some entrepreneurs, nascent entrepreneurs in the high technology sector were not motivated by wealth creation but by the need for achievement and the desire for independence. Individuals further require a trigger which Amiri and Mariamaei (2012) call a precipitating event to engage in entrepreneurship behaviour.

### **Deriving the understanding of the concept from multiple perspectives**

We have looked at how the understanding of the concept of entrepreneurship has evolved from early conceptualisation (Cantillon, 1755) where an entrepreneur was considered a risk bearer, self-employed individual who responded to the perceived discrepancies between

supply and demand, to purchase raw materials at certain prices, to sell at uncertain prices in the future in the hope for a profit. His actions were market stabilising thereby giving an entrepreneur an economic role.

The subsequent theorists considered an entrepreneur a coordinator of factors of production, responsible for the production of economic goods and services (Say, 1816; Sheehan, 1950). This is fundamentally what the entrepreneur does. However, modern conceptualisations of the concept have focused on the key elements in the entrepreneurship process. Schumpeter (1934) conceptualisation of entrepreneurship emphasises on innovation as a definitive construct in the creation of new combinations that give economic growth. Schumpeter (1934) was condensing the understanding of entrepreneurship that brought economic development in a country. Knight (1921), Kirzner (1973) and Shane and Venkataraman (2000) focus on the identification, evaluation and exploitation of the opportunity as the definitive process of entrepreneurship which subsumes innovation within the exploitation of opportunity.

As a result of the varying conceptualisation of the same concept, there is a variation of definitions of entrepreneurship and the entrepreneur. Some definitions focus on entrepreneurship as the process of coordinating resources for the production of economic value, others have elaborated on the key areas of decision making and activities in the process whereas others have defined entrepreneurship based on the outputs from the entrepreneurship process. Definitions that focus on understanding entrepreneurship based on outputs have focused on creation/founding of a new business venture although from Schumpeter (1934) conceptualisation, the entrepreneurship process manifests further in new products/services, new sources of supply, new methods of production and new markets.

The definition of the entrepreneur has evolved similarly. It has been based on what the entrepreneur does and/or produces. An entrepreneur has been defined as a coordinator of factors of production, responsible for production of economic goods/services or simply as the creator or founder of a new business or organisation. Other definitions of the entrepreneur have elaborated on what the entrepreneur does in the entrepreneurship process while other definitions focus on what are considered the key characteristics or traits of the entrepreneur.

## **THE COMMON PERSPECTIVES OF ENTREPRENEURSHIP**

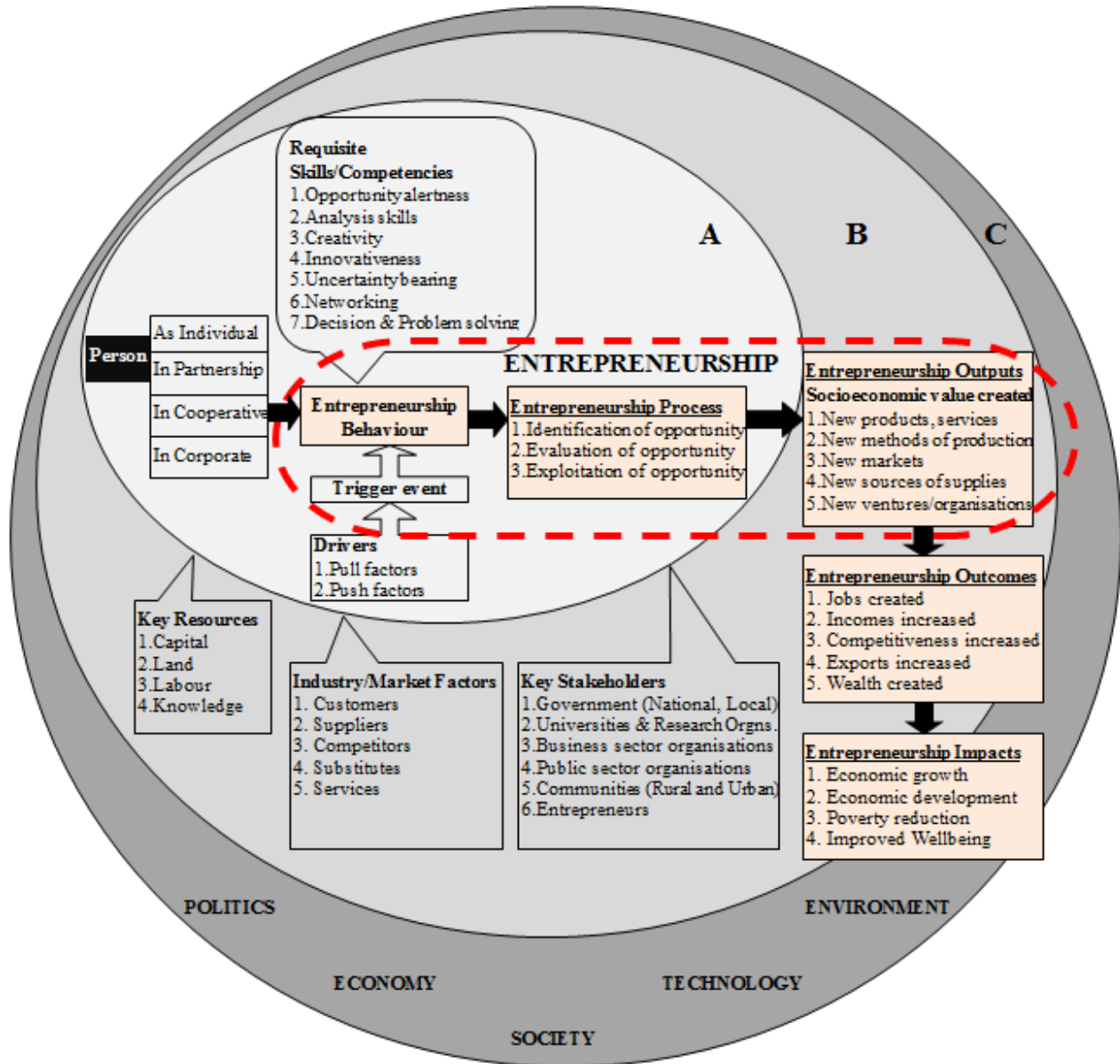
The evolution of the concept highlights the changes in perception of entrepreneurship amongst scholars since Cantillon (1755). Cantillon (1755) is considered to be the first economist to have coined the word entrepreneur

(Kuratko and Hodgetts, 2007), gave entrepreneurship its economic meaning and the entrepreneur a role in economic theory (Cornelius et al., 2006). We summarise the learning derived from the analysis and pull together the various perceptions of the concept towards a common perspective through Figure 1. We explain that entrepreneurship is undertaken by a person, either individually, in partnership, in cooperative or within a corporation. We present two fundamental perspectives of entrepreneurship as a human behaviour and as a process with outputs, outcomes and impacts. The variants of entrepreneurship such as corporate entrepreneurship; necessity motivated entrepreneurship and opportunity motivated entrepreneurship; for profit and social entrepreneurship and other contextual variants are also highlighted within the discussion. Although Figure 1 shows other factors that influence entrepreneurship from the outside environments, circles B and C, we reserve their discussion to the next review of the ecosystem perspective of entrepreneurship.

### **Entrepreneurship as human behaviour**

The understanding of entrepreneurship starts with the entrepreneur. The entrepreneur is first and foremost a human being. Human beings have lived, produced goods and services needed for their survival and exchanged and traded in the same from time immemorial. The phenomenon of producing goods and services, exchanging and trading has been studied from various scholarly perspectives. The activities, processes and outputs referred to as entrepreneurship have existed before the early economic theorists. Entrepreneurship is therefore the human action that did not have a common name but was responsible for the production, trading and exchange of goods and services human beings needed for survival (Sheehan, 1950). At the centre of this phenomenon was the individual termed entrepreneur by Cantillon (1755) thereby originating the common term, entrepreneurship, for his actions.

According to our conceptualisation in Figure 1, the person can act individually (independently), in partnership, cooperative or within a corporation. An individual is called an entrepreneur because of the behaviour that he exerts when it successfully creates socioeconomic value as output of the entrepreneurship process. Drucker (1985) asserted that an individual is an entrepreneur if he successfully sets up a business even if he does not make a profit. The individual through his behaviour identifies, evaluates and exploits opportunities (Shane and Venkataraman, 2000) to create new goods, services, new sources of raw material supplies, new methods of production, new markets and new organisations (Schumpeter, 1934). Entrepreneurship would refer to that behavioural process through which



**Figure 1.** Concept of Entrepreneurship.  
Source: Authors analysis.

individuals create socioeconomic value.

The entrepreneurship intention models; the theory of planned behaviour (Ajzen, 1991) and Shapero (1982) model of entrepreneurial event provide some insights into factors that affect entrepreneurship behaviour. First, entrepreneurship intentions are considered an antecedent of entrepreneurship behaviour. Mwatsika (2015) in his literature review defined entrepreneurship intentions as self acknowledged conviction by a person that they intend to set up a new business venture and consciously plan to do so at some point in future. Studies have found that intentions are the single best predictor of

planned behaviour (Bagozzi et al., 1989). Intentions are influenced by attitude towards the behaviour, subjective norms, and perceived behavioural control (Ajzen, 1991) and perceived desirability of the behaviour, perceived feasibility and the individual’s propensity to act (Shapero, 1982). We will not discuss the entrepreneurship intention models in detail but rather highlight that the requisite skills and competencies as well as the factors in the environment, circles B and C in Figure 1 affect entrepreneurial intentions and thereby entrepreneurship behaviour.

Looking at entrepreneurship from the context of the



entrepreneur, we get the first variation of the concept, the corporate entrepreneurship. Whilst the individual's entrepreneurship behaviour carried out independently leads to what is termed simply as entrepreneurship, the successful entrepreneurship behaviour of an individual inside an organisation or corporation, is referred to as corporate entrepreneurship. The individual upon successful creation of new combinations is not visible to the outside world but his actions are attributed to his organisation. The individual is referred to as an intrapreneur in some literature to denote an entrepreneur inside an existing organisation (Baron and Shane, 2008).

Outwardly it is the organisation that is perceived entrepreneurial as we can note from Burgelman (1983) definition that corporate entrepreneurship is the process whereby firms engage in diversification through internal development, which requires new resource combinations to extend the firms activities in areas unrelated or marginally related to its current domain of competencies. It is the individuals inside these organisations that are responsible for corporate entrepreneurship.

Figure 1 further highlights a number of skills and competencies that enable individuals to successfully engage in entrepreneurship behaviour. These skills and competencies include uncertainty bearing (Knight, 1921), innovativeness (Schumpeter, 1934), alertness to opportunities (Knight, 1921; Kirzner, 1973; Shane and Venkataraman, 2000), decision and problem solving skills, planning and enterprise management skills. The competencies determine individuals' self-efficacy, perceived feasibility, attitudes, and propensity to act within the entrepreneurship intention models by Ajzen (1991) and Shapero (1982).

From literature we differentiated two types of forces that drive individuals towards entrepreneurship behaviour. The first set of force are the push factors that move individuals, out of necessity, to start the value creation process, and the second set are the pull factors that draw an individual towards value creation process. On this basis we have two variations of entrepreneurship, the necessity motivated entrepreneurship (NME) and opportunity motivated entrepreneurship (OME) (Bell, 2013). OME is where an individual makes an active choice to engage in entrepreneurship behaviour and take advantage of an unexploited or underexploited opportunity to create socioeconomic value (Bell, 2013, p.13). Successful individuals create small start-up businesses with the intention to innovate and grow (Decker et al., 2014). On the other hand, NME arises where an individual finds him/herself with no better options for a satisfactory means of earning a living (Bell, 2013).

Successful individuals tend to create small businesses that provide employment for themselves and perhaps a few others, often family members (Decker et al., 2014). Although scholars Schoar (2010) and Acs (2006) have

directly associated OME with transformational entrepreneurs and NME with subsistence entrepreneurs, we perceive that the underlying opportunity identified and exploited plus entrepreneurship context dynamics are the determinants of whether entrepreneurship turns out transformational or subsistence. These variations of entrepreneurship based on the driving factors are however perceived necessary for the understanding of entrepreneurship dynamics in developing countries with implications on policy.

Our first perspective of entrepreneurship therefore is that entrepreneurship is a human behaviour responsible for the creation of socioeconomic value. The behaviour is driven by either the need to find an alternative means of earning a living or an opportunity that has been identified for exploitation. As a human behaviour, it means an individual is involved and is responsible for the creation of socioeconomic value. Individuals who engage in entrepreneurship behaviour successfully have skills and competencies as discussed. However, the skills or competencies do not drive an individual towards entrepreneurship behaviour. The push and pull factors induced by a triggering event are responsible for moving individuals towards entrepreneurship behaviour. Entrepreneurship intention models provide insights into the factors that affect entrepreneurship behaviour. Corporate entrepreneurship, necessity motivated entrepreneurship and opportunity motivated entrepreneurship are variations of the same concept of entrepreneurship which is responsible for the creation of socioeconomic value through human behaviour.

### **Entrepreneurship as a process**

The second perspective is that entrepreneurship is a process of socioeconomic value creation. Delmar and Shane (2004) and Gartner (1985) asserted that creation of new combinations does not happen instantaneously but happens through a series of actions called a process. This process involves activities and judgmental decisions for the identification, evaluation and exploitation of opportunities to create socioeconomic value (Shane and Venkataraman, 2000). There is no single definite and describable process of entrepreneurship because there are many possible new combinations that can be produced from the entrepreneurship process and various ways of producing similar new combinations.

However, Shane and Venkataraman (2000) provided three key phases of the entrepreneurship process. These phases include the identification, evaluation and exploitation of opportunity, in Figure 1. Knight (1921) perceived the discrepancies between supply and demand hitherto unexploited as an opportunity but Shane and Venkataraman (2000) defined an opportunity as situations in which new goods, services, raw materials, and

organising methods can be introduced and sold at greater than the cost of their production. Kirzner (1973) related entrepreneurship to the seizing of opportunities in the economy thereby signifying that opportunities are a key construct in the entrepreneurship theory. It is further necessary to note that entrepreneurship opportunities are distinct for the creation of new combinations as emphasised in Shane and Venkataraman (2000) definition of entrepreneurship opportunities.

Gaglio and Katz (2001) and Alvarez and Barney (2007) provide three types of entrepreneurship opportunities that include; recognised opportunities, discovered opportunities and created opportunities. Recognised opportunities are perception of market discrepancies between supply and demand whereby an alert individual will procure items at certain prices to sell at uncertain prices in the future or in another market as conceptualised by Cantillon (1755) and Kirzner (1973). Both demand and supply exist. A discovered opportunity refers to the discrepancies between supply and demand whereby either supply or demand for a product or service exist in the market. It requires the alertness of the individual to discover a new combination for the fulfilment of the existing gap in the market at a profit.

The created opportunity on the other hand arises in the situation where neither supply nor demand for a new combination exists in the market. The opportunity is created endogenously by the actions, reactions and performance of the entrepreneur through exploration of new combination ideas. The created opportunity represents the creative character of human action (Alvarez and Barney, 2007). The competencies (knowledge, skills and abilities) and processes required to discover or create the opportunity will vary.

### **Identification of opportunity**

The first phase in the entrepreneurship process is the identification of opportunity (Shane and Venkataraman, 2000). Recognition, discovery or creation of opportunity could be a deliberate process by an individual however the recognition, discovery or creation of new idea for a new combination is a chance, accident or serendipity (Dew, 2009). How individuals come up with bright ideas for the creation of new combinations is not straight forward. It is still an area highlighted by Shane and Venkataraman (2000) as requiring research in the field of entrepreneurship. The concept of serendipity by Dew (2009) also needs further exploration in the process. Nonetheless, the process of identification of opportunities would involve analysis of markets, resources, environmental changes and trends, new knowledge etc but what could be recognised, discovered or created could not be predetermined from the outset. Individuals require opportunity alertness and search abilities to

identify entrepreneurship opportunities.

### **Evaluation of opportunity**

Once ideas for the creation of new combinations are recognised, discovered or created by the individual(s), the second phase in the entrepreneurship process is the evaluation of the opportunity (Shane and Venkataraman, 2000). The opportunity has to be analysed on its feasibility to result in profitable or sustainable enterprise or other new combination. The result of the evaluation process would determine whether the individual or firm pursues the opportunity or not. The output of the evaluation process depends on the skills, knowledge and competencies of the individual(s) conducting the evaluation and the firm and environmental contexts as regards availability of requisite information.

### **Exploitation of opportunity**

The third phase, the exploitation of opportunity (Shane and Venkataraman, 2000) will also vary depending on the opportunity, individual and environmental contexts. Nonetheless, the exploitation phase will involve planning for the exploitation of the opportunity, mobilising required resources including finance, various pre start-up and start-up activities. Each type of new combination will require varying activities and judgmental decisions when carrying out the process. The entrepreneurship process would vary from the identification to exploitation of opportunity depending on the type of opportunity recognised, discovered or created and the contexts of the individual, the firm and the environment. Entrepreneurship is then recognised at the end of successful implementation of the entrepreneurship process and the individual who successfully creates new combinations, is recognised at that point as an entrepreneur. The individual who creates the new combinations within a corporation is known as an intrapreneur (Baron and Shane, 2008) and would lack visibility for his/her entrepreneurial actions. If the entrepreneurship process does not result in creation of new combinations, the individual will not be recognised as an entrepreneur but only when the process creates new combinations regardless of whether the new combinations thrive or eventually fail. It is not common in literature to find definitions of entrepreneurship that are based on the elaborate entrepreneurship process because of variations in entrepreneurship processes for the creation of new combinations. Nonetheless, entrepreneurship is best viewed as a process rather than an event (Bergmann and Stephan, 2013); and Stevenson and Jarillo (1990), Shane and Venkataraman (2000), Gries and Naude (2011) and Berglund and Holmgren (2013) all defined entrepreneurship

as a process although with different explanations of the entrepreneurship process.

### **Entrepreneurship outputs, outcomes and impacts**

Schumpeter (1934) provided five manifestations of innovative change, the outputs of the entrepreneurship process. We define entrepreneurship outputs as the tangible socioeconomic value created at the end of a successful entrepreneurship process. The outputs include; new goods and services, new sources of raw materials (supplies), new methods of production, new markets and new ways of organisation, referred to as new combinations by Schumpeter (1934). Of the new combinations, creation of a new business venture (organisation) has been very definitive of the entrepreneurship process to many scholars such that entrepreneurship has been defined as creation/founding of new business (Howell, 1972; Gartner, 1988). However, a new business being only one of the many possible new combinations from the entrepreneurship process, the definition of entrepreneurship that focuses on a single type of output is narrow and limiting for the understanding of the concept.

From the early conceptualisation, entrepreneurship (the creation of new combinations) is pursued by individuals for realisation of a profit. However, there is a growing trend where entrepreneurship is being pursued for social good as observed by Mair et al. (2006), Perrini (2006), Borzaga et al. (2008) and Gawell (2013). While we presume this type of entrepreneurship follows the same phases of the entrepreneurship process, the new combinations (outputs) created are aimed at providing social benefit and this is termed social entrepreneurship. Seelos and Mair (2005) defined social entrepreneurship as creating a new business model to serve the poor, Gawell (2013) called it creating value for the common good and Austin et al. (2006) defined social entrepreneurship as entrepreneurship activity with an embedded social purpose. This then takes us to two more variations of entrepreneurship, for profit entrepreneurship and social entrepreneurship. Both forms are the result of human behaviour, undertaken independently or within a corporation, involving the process of identifying, evaluating and exploiting opportunities. The difference is the motive behind the creation of value, whether it is for profit maximisation or providing some social benefits.

Further, as the study of entrepreneurship has focused on the new business ventures created, Burns (2016) classifies business ventures as lifestyle ventures and growth ventures. Lifestyle ventures are firms started by an individual to simply generate income and pursue a particular lifestyle. They are often started as an alternative to earning a living. Lifestyle ventures comprise

most of the established start-ups in the economy and most of them do not grow whereas, the growth ventures are started by an individual with the intention of growth and are often started in pursuit of entrepreneurship opportunity. Amongst the growth ventures are the high growth firms (HGFs), those that achieve exponential growth approximately 60% within three years that is, 20% per annum (OECD, 2010).

Literature shows that entrepreneurship is pursued for the outcomes and impacts it produces. Outcomes and impacts are the developmental socioeconomic changes at individual, firm and country levels that are brought by the creation of entrepreneurship outputs. Figure 1 highlights jobs created, incomes, competitiveness of firms, increased exports and wealth created as outcomes of successful entrepreneurship and economic development, poverty reduction and improved wellbeing as the impacts of entrepreneurship whereas economic growth would be considered more of the intermediate impact of entrepreneurship after various outcomes have been achieved. Studies have found that entrepreneurship brings economic growth (Lee and Xin, 2015; Chen, 2014; Vazquez et al., 2010; Salman and Badr, 2011; Audretsch, 2007), economic development (Talmaciu, 2012; Stefanscu and On, 2012) and creates new employment (Audretsch and Fritsch, 2003; Haltiwanger et al., 2013; Decker et al., 2014). It is the HGFs that are attributed with bringing most of the benefits of entrepreneurship. Studies have found that it is HGFs that drive productivity growth, create most of the new employment, increase innovation, promote business internationalisation and export orientation (Mason and Brown, 2010; Parsley and Halabisky, 2008; Henrekson and Johansson, 2010) thereby bringing economic effects. Consequently, policy makers across organisation for economic co-operation and development (OECD) countries focus on promoting HGFs (OECD, 2010; 2013) amongst the new combinations from entrepreneurship. Entrepreneurships that contribute significantly to economic growth and development in an economy have been referred to as productive entrepreneurship by Baumol (1993) to differentiate from entrepreneurship activities that are unproductive or destructive.

We have highlighted in this section that the entrepreneurship process has been difficult to define because of the varied range of entrepreneurship outputs. However, Shane and Venkataraman (2000) provide us with the phases that entrepreneurship processes go through from the identification, evaluation and exploitation of opportunities. Schumpeter (1934) provides the five categories of new combinations that can be produced from the entrepreneurship processes amongst which new venture creation has been the most definitive output of the entrepreneurship process to many scholars. The outputs from entrepreneurship are the means to the sought after outcomes and impacts in the economy.

The outcomes of entrepreneurship include new jobs, increased incomes, increased exports, competitiveness of firms, and wealth created, whereas the impacts of entrepreneurship are economic growth, economic development, poverty reduction and improved well being. For profit and social entrepreneurship are the other variations of entrepreneurship highlighted where the difference is grounded in the motives for the creation of the new combinations.

### **The common perspective of entrepreneurship**

From the analysis, we draw two common views of entrepreneurship. First, entrepreneurship is a human behaviour that creates socioeconomic value and second, that entrepreneurship is the process through which socioeconomic value is created.

Entrepreneurship is the behaviour exhibited by the individual, either alone or in groups in new or existing organisations. Individuals who engage in entrepreneurship behaviour do differ in the factors that drive their motivation for entrepreneurship. The first group of individuals is driven by the push factors such as failure to find a better alternative means for earning a living, while the other group is driven by the attraction of the opportunity hitherto underexploited or unexploited (Bell, 2013).

These classifications have led to the notions of necessity motivated entrepreneurship and opportunity motivated entrepreneurship (Bell, 2013). Whichever case, the individual who succeeds in entrepreneurship behaviour exhibits a combination of various skills and competencies. Research found that alertness to opportunity (Shane and Venkataraman, 2000), innovation ability (Schumpeter, 1934), and ability to bear uncertainty (Knight, 1921) are among the key skills or competencies for successful entrepreneurship. The individual becomes an entrepreneur when he/she has successfully created socioeconomic value in the form of the new combinations.

The second perspective is that entrepreneurship is the process through which socioeconomic value is created in the economy. Although there is no elaborate entrepreneurship process because of the varied outputs of entrepreneurship (new combinations), opportunity identification, evaluation and exploitation are the main phases of the entrepreneurship process (Shane and Venkataraman, 2000). Within these phases, various activities and judgmental decisions are undertaken by the individual(s) to enable successful creation of socioeconomic value. As noted under the first perspective, it is upon successful creation of new combinations that an individual is recognised as an entrepreneur. Of the five new combinations from entrepreneurship (Schumpeter, 1934), creation of a new business is the most commonly recognised

entrepreneurship output. As such other scholars have defined the concept of entrepreneurship as the creation or founding of a new business. We however find such a definition narrow and limiting for the understanding of the concept of entrepreneurship.

Further, due the growing trend of pursuing new combinations for social benefit, social entrepreneurship is becoming a branch of entrepreneurship that requires research in requisite competences, driving motives, the entrepreneurship process, the outputs, outcomes and impacts on the economy. As we move towards a common perspective of the concept of entrepreneurship, it will be appropriate to view entrepreneurship as the human action engaged through a process to produce socioeconomic value. Therefore based on the analysis presented herein, we provide a synthetic definition of entrepreneurship as follows:

Entrepreneurship is human behaviour involving activities and judgmental decisions undertaken purposively through a process of identifying, evaluating and exploiting opportunities for the creation of socioeconomic value either independently or in existing organisations under conditions of uncertainty. Within the same understanding of the concept of entrepreneurship, there are other variations of entrepreneurship that are prevalent in literature. They are based on the contextual focus of the entrepreneurship behaviour. These are farm entrepreneurship, tourism entrepreneurship, techno-entrepreneurship etc, denoting entrepreneurship in farming, tourism, and technology based etc respectively. These are the variations coined by scholars to denote the context within which entrepreneurship is based. With the mushrooming of Pentecostal congregations and prophets in Malawi, my colleague was excused for coining 'christopreneurships' to their reference. Referring to entrepreneurship by context further broadens the perspectives of the concept.

### **Why the proliferation of entrepreneurship?**

The concept of entrepreneurship has found increasingly wider usage across sectors; agriculture, health, education etc. In the first instance, entrepreneurship is a popular concept because of the roles it plays in economic growth, creation of jobs, competitiveness of firms, etc.

However, these effects are associated with the creation of new combinations where a new business venture is a prominent entrepreneurship output. Does the proliferation of the concept across sectors mean that everyone; individuals and firms, private and public should be focused on the creation of new combinations, especially new ventures? Does the development of entrepreneurship policy in education (Hoppe, 2016) mean that education should be fixated on creation of new combinations in the economy? This may not be the case as we observe the

growing trend in perceiving the skills and competencies exhibited by successful individuals called entrepreneurs as desirable to individuals, firms and organisations either for profit or non-profit. Farmers, teachers, learners, politicians, doctors, nurses, pastors, priests, public servants, employees etc, all require entrepreneurial skills and competencies in their work and practices to improve performance and productivity. For example teachers have to be creative in developing teaching and learning methods and materials, be innovative in their application and take risks for their implementation to deliver quality education in their field of expertise.

Similarly, learners have to be creative and innovative with their learning in their specialised fields, and take risks in testing or applying their new knowledge to create more new knowledge and further learning. In such a scenario, applying entrepreneurial skills and competencies is not about creating new combinations but performance improvement although ideas for and subsequent creation of new combinations could be realised. Therefore when the University of Malawi adopted entrepreneurship as a core value, it is perceived, it is about management, staff and learners exhibiting entrepreneurial skills and competencies for the generation and dissemination of knowledge, not that the university in every programme should focus on new venture creations. We nevertheless question whether entrepreneurship as a value for a public entity is portraying the correct meaning of the concept or is it helping to evolve the concept?

In private firms like banks, employees may be encouraged to exhibit entrepreneurial skills and competencies to improve performance of job functions without necessarily influencing corporate venturing or spinoffs, whereas, in the public institutions such as government departments, entrepreneurial skills and competencies would focus on improvement of the quality and public service delivery without necessarily aiming for social enterprise spinoffs.

In this case we distinguish entrepreneurship behaviour in Figure 1 which is focused on creation of new combinations in the economy and entrepreneurial behaviour which is the application of entrepreneurial skills and competencies as a desirable behaviour for personnel to improve individual productivity in existing organisations. It is the latter that we observe to be behind the proliferation of the concept of entrepreneurship across sectors. Not everyone can be a successful entrepreneur but everyone can be entrepreneurial in their work for improved productivity.

### **Areas of research in entrepreneurship**

Entrepreneurship is primarily an economic function carried out by individuals, acting either independently or within firms in an economy. Therefore research in entrepreneurship can be carried at individual, firm or country levels. Earlier research in the field focused on

understanding entrepreneurship through the entrepreneur. Therefore studies focused on the traits of successful entrepreneurs, where need for achievement (McClelland, 1961), need for independence (Hisrich and Brush, 1986), locus of control (Rotter, 1966), tolerance of risk, self-efficacy (Aldrich and Zimmer, 1986), over confidence (Camerer and Lavallo, 1999) were discovered as some of the important traits for entrepreneurs. Subsequent research (Begley and Boyd, 1987; Brockhaus, 1982; Hull et al., 1980) however found no differences between entrepreneurs and the general population or managers in most of the traits. Studying traits did not offer an effective way for understanding entrepreneurship (Gartner, 1988).

Now that we perceive skills and competencies as vital for successful entrepreneurship behaviour, it would be necessary to conduct studies on vital skills and competencies that influence entrepreneurship behaviour, how they can be developed and/or appropriate methods for their development as part of entrepreneurship education research. Further studies would focus on the behavioural process and its drivers at individual, firm, and/or country levels aggregated by demographic variables; gender, culture, education, age, etc. Shane and Venkataraman (2000) implicitly assert that entrepreneurship research should focus on examining how opportunities to bring into existence future goods and services are discovered, created and exploited, by whom and with what consequences. Studies on the behavioural process and its drivers would be necessary in this regard.

The Global Entrepreneurship Monitor (GEM) focuses on the measurement of entrepreneurship behaviour (activities) with a range of possible entrepreneurship behaviour indices (see Zahra and Wright, 2011) but is inadequate to measure the contribution of entrepreneurship to the economy. Stam (2013) uses the employee entrepreneurial activity (EEA) as a measure of employee entrepreneurship in existing firms. This is an area that needs further research to understand entrepreneurship in existing, established firms and their contribution to economic growth so that there is a holistic picture of the effects of entrepreneurship in an economy not limiting studies to new ventures and employment.

On the linkages between entrepreneurship outputs, outcomes and impacts, most economics studies have focused on the relationship between new venture creation and economic growth. There are five categories of new combinations that would affect economic growth. It will be interesting to study the effects on economic growth from all new combinations for comparison purposes on effectiveness of entrepreneurship in an economy.

It was noticed through analysis that since entrepreneurship lacked a common understanding, it also lacks measurement methods and indicators that capture entrepreneurship phenomenon. The existing methods focus on entrepreneurship behaviour and new venture

creations. As the scholars move towards a commonly shared understanding of the concept, a measurement methodology and indicators that inform policy makers on the phenomenon and its contribution to the economy would be pertinent.

## CONCLUSION

The study has presented an overview of the evolution of the concept of entrepreneurship with an effort to draw a common perspective of the concept. Despite the fact that entrepreneurship has been studied for a long time with increasing wider usage across sectors, the concept still lacked a common definition. The lack of a commonly agreed definition had implications on the researchers' conceptualisation of the constructs for study and focus of study in the field. It also highlighted the perspectives of the concept from scholars ranging from Cantillon (1755), Say (1816), Knight (1921), Schumpeter (1934) to several others who drew their perspectives from the earlier theorists. From this review, we found that entrepreneurship is a human behaviour exerted through a process to create socioeconomic value in the economy.

The entrepreneurship process involves three main phases of identifying, evaluating and exploiting opportunities and each phase involves varied activities and key decisions undertaken by the individual either in a new or existing organisation under conditions of uncertainty. It is upon successful completion of the process and creation of socioeconomic value that an individual becomes known as an entrepreneur. Although there are several variants of the concept of entrepreneurship, such as corporate entrepreneurship, necessity motivated entrepreneurship, opportunity motivated entrepreneurship, social entrepreneurship, and contextual variants of the concept like farm entrepreneurship, tourism entrepreneurship, technopreneurship etc, they are all within the same concept of economic activities that bring socioeconomic change called entrepreneurship. There is a common fabric in the understanding of the concept that is not in commonly agreed wording because of different standpoints. However in this paper, we analysed empirical studies and generated a common perspective in the understanding of the concept and it is put forward by defining entrepreneurship synthetically as follows:

Entrepreneurship is human behaviour involving activities and judgmental decisions undertaken purposively through a process of identifying, evaluating and exploiting opportunities for the creation of socioeconomic value either independently or in existing organisations under conditions of uncertainty.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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