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# Entrepreneurship and Development: an Alternative Perspective

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*Abstract:* This paper offers an alternative to the more orthodox psychological approach to the study of entrepreneurship. It suggests that an adequate theory of entrepreneurship must consider a country's political and economic history and especially the way in which this history has structured the opportunities for economic gain open to social groups in the society. It further suggests that due to the different historical experience of underdeveloped countries, and especially international monopoly capital, these opportunities will be differently structured in such societies. Whilst the particular structure may not lead to development, it will be maintained by the class structure and political system which emerges in such societies and which may resist attempts to alter that particular structure of economic opportunities. However, while such opportunities are so structured, analysis of entrepreneurship must also consider why there might be differential response to such opportunities in a society. This, it suggests, can be explained in terms of the degree of role continuity and congruity in economic roles in the society. Consideration of both the historical and the economic role level is essential for the study of entrepreneurship.

## I INTRODUCTION

Within the modernisation perspective on development, the study of entrepreneurship has been of central importance. Here, Greenfield and Striken (1981, p. 481) tell us, "entrepreneurial studies have sought the sociological and/or psychological characteristics of the type, or pheno-

\*This article benefited from the comments of Jim Flanagan of the University of Pennsylvania on an earlier version.

menon, called the entrepreneur". Such studies are epitomised by the work of McClelland (1961) and, to a lesser extent, that of Hagen (1962). Although this perspective was developed in the 1960s it has remained remarkably resilient. Recent examples include Jacobowitz and Vidler (1982), Pendey and Tewary (1979), Vincentew (1979) and Teikmer (1980). Yet none of this work addresses or attempts to deal with the range of criticisms that have been made of this overall approach. The approach, it has been argued, fails to consider the concrete historical circumstances in which entrepreneurs emerge and in which they act (see for example, Frank, 1971). It attributes too much independence of action to the individual entrepreneur and so fails to examine how in Cardoso's (quoted in Kahl 1976, p. 145) words "the structural conditions of society in general limit and characterize the possible forms of innovative behaviour in the economic field" (see also Long, 1977, p. 142).

This essay is an attempt to move away from that tradition and to suggest an approach to the study of entrepreneurship in developing and underdeveloped countries which, following Long's advice (*ibid*, p. 142) gives "consideration to the various frameworks within which entrepreneurs operate. These frameworks constitute the basic parameters within which entrepreneurial activities and decisions occur". The important frameworks to consider are the economic and political histories of particular countries, with their independent and decisive influence on the level of overall possibilities for indigeneous entrepreneurial activity. For developing and underdeveloped societies these possibilities are structured by the international economic environment and power structure. Our main contention is that the problem of entrepreneurship can most fruitfully be approached by focusing on how this environment has conditioned the effects which entrepreneurial behaviour can have, both in terms of the structure of profitability which it has created and in the form of class structure which it has encouraged. The underdevelopment of entrepreneurship can, therefore, be attributed mainly to the nature of the economic, social and political obstacles which this environment has created. It is in the nature of this environment and in how it has determined the overall possibilities for the emergence of entrepreneurs, that explanations of the rate at which entrepreneurs emerge, and how they perform, are to be found.

## II THE ALTERNATIVE PERSPECTIVE OUTLINED

### *The Overall Framework*

To begin with we must look at the question of entrepreneurial activity and at what kind of behaviour constitutes this activity. For this, it is useful

to turn to the ideas of Easterbrook (1966). For him, there is little point in the study of entrepreneurship in making reference to the motivation and characteristics of individuals. The key to understanding entrepreneurial activity lies not in the personalities of individual entrepreneurs but in the nature of the uncertainties encountered in the investment process. It is a society's structure of economic opportunities, as reflected in the scope for profitable participation in business activities, which lies at the root of the question of entrepreneurship.<sup>1</sup> Thus, it is the way in which economic uncertainties are structured in a society that defines the overall opportunity for indigenous entrepreneurship. The way these opportunities to realise profit are structured is to a large extent the result of economic and political history.

Following Easterbrook the world can be divided into two types of area, each characterised by different forms of opportunity structure. These areas he calls "persistence" zones and "transformation" zones. In "persistence" zones, the return from investment generally, but especially in new enterprise, tends to be highly uncertain, with risks well above what he calls the risks encountered in "the ordinary conduct of business". The sources of the risks mentioned by Easterbrook are mainly political, in the form of internal tensions and the absence of institutional support for business in such societies. Other sources of risks arise from the difficulties in competing in the relevant markets with those long established industries with high levels of technology such as are found in transformation zones. In such circumstances, the investment that occurs in these zones tends to reinforce the existing pattern of investment as this is the only avenue to increased certainty of return. The minimum of risk is likely to occur in following traditional patterns of investment and the result is the perpetuation of a conservative pattern of development. In this way the persistence of a large degree of uncertainty is sufficient to restrict the level and pattern of entrepreneurial activity. Steps may, of course, be taken to overcome (or to stabilise) the level of uncertainty. Easterbrook describes them. "These take the form of group actions involving the use of power in its general aspects, political, social and economic to promote or create the conditions in which investment may be made with prospects of adequate return" (ibid. p. 62). Entrepreneurs may take non-economic forms of action, mainly political, to create the stability and security of

1 Use of the notion of opportunity structures in this context emerged out of an attempt to develop the notion of opportunity structures found in the literature on occupational choice (see Roberts, 1974) and to apply it to the choices of entrepreneurs. The ideas of Easterbrook are used here to describe, in a schematic fashion, the range of "choice structures" in which entrepreneurs operate. A somewhat similar use of opportunity structures has been developed by William Glade (1967). This is not, however, the source of its use here.

expectations conducive to continuing investment and more importantly, continuing profit. Because of the nature of the class structure in many such parts of the world, such actions tend to be aimed at the stabilisation of the present structure of profitability rather than at its alteration.

Persistence zones are to be found in colonial areas, in newly populated areas in underdeveloped areas generally. Here there are high risks attached to innovation and although power resources may be used to create more secure zones of investment, to create circumstances that increase the security of past investment and reduce the risks of future investment, this level of security is often difficult to achieve.

In contrast to such areas are the transformation zones. Here a secure region for investment decisions exists and the risks attached to investment were at what Easterbrook calls a "normal commercial level". There is institutional support, both legal and political, for investment and the societies concerned are relatively free of internal tensions. There is sufficient security of return to make innovatory investment a profitable venture, to make investments in new activities which can transform the whole structure. Britain at the beginning of the Industrial Revolution was one such area. Hobsbawn (1969, p. 30) says Britain at that time "existed in conditions in which the promise of greater profit was the spur of innovation; it was the promise of these greater profits which made Industrial Revolution not only practicable for its entrepreneurs but sometimes virtually compulsory".

It follows from this distinction that the level of entrepreneurship will differ in the two zones. It is in persistence zones that the apparent lack of entrepreneurial activity is held to constitute a serious problem. The problem of development will be then to establish conditions within this zone which alter the structure of uncertainty, that is, to provide a new structure of economic opportunities in which the level of uncertainty is reduced and the level of profitability is correspondingly increased. If the structure of profitability remains unchanged, we have the situation which Carter identified in seventeenth century Highland Scotland. Here the failure of landlords to innovate with new methods of agriculture was put down to a lack of entrepreneurship and as an economically irrational decision made on social rather than economic grounds. But when the element of uncertainty is introduced their behaviour appears in a different light. In a situation where cattle trading was giving them large profits and where new methods would have required, in Carter's words (1973, p. 299), "heavy capital outlay for uncertain economic return", their behaviour can be seen as rational economic behaviour.

This view of entrepreneurial activity stands in contradistinction to other theories of entrepreneurship, which, while they accept that the entrepreneurial activity is risk-taking to realise profit, fail to examine the contexts in

which risk-taking decisions are made.<sup>2</sup> In effect, they expect the entrepreneur to play Russian roulette with a fully loaded revolver. In the perspective outlined here the entrepreneur is one who invests in a business venture to make a profit. Whether such investment is socially and economically innovatory or not will depend on the nature of the situation in which the investment is made.

It follows from this that political and economic changes which lead to changes in a society's structure of economic opportunities have an effect on the level of entrepreneurship. This effect can be illustrated with the cases of Pakistan and the Philippines. Here changes in the economic climate increased the total volume of feasible investment opportunities. They lessened the uncertainty attached to new investment in persistence zones and, through this, increased the level of entrepreneurial activity. The case of Pakistan is particularly striking. In a twelve-year period from 1947 to 1959 it developed an active indigenous entrepreneurial group and this, Papanek explains, was due to changes in its economic environment (Papanek, 1962).

In 1947, Pakistan could be described as a persistence zone. There was little industry and its contribution to national income was very small. Yet by 1959 this contribution had risen from 1 per cent to 6 per cent. Industrial assets had increased nine-fold and value added more than ten-fold. These increases did not represent short-term speculative investments. Twenty per cent was in long term capital-intensive and high technology industries, such as chemicals, paper products, cement products, machinery and transport equipment. This change was brought about mainly by the emergence of a group of Muslim entrepreneurs. Until 1947 they had been traders, but the Korean War boom, during which they made large profits in trading, combined with Pakistan's political independence in the same year to present them with a new range of opportunities.

The end of the Korean War boom resulted in a decline in export earnings and a shortage of certain imported products. This meant that competition from foreign enterprises was substantially reduced in the domestic market. In this way increased opportunities for profit were presented to native entrepreneurs. These advantages were consolidated by the opportunities which opened up due to political independence and the separation from Indian industry which led to an exodus of Hindu traders from Pakistan. In such circumstances, as Papanek puts it, "almost every industrialist was guaranteed a profit, for imports offered little competition, domestic production was inadequate and those able to import machinery were subsidised by under-

2 Note in particular how this use differs from the classic formulation of Schumpeter (1959). For him if entrepreneurs do what they are supposed to do, development will follow. In the argument here what entrepreneurs are supposed to do is make a profit. Whatever development follows from this depends on the context in which they pursue their profits.

valued foreign exchange” (ibid, p. 50). These favourable circumstances were further encouraged by a government policy which guaranteed investment. As a result, the Muslim entrepreneurs left trade and moved into manufacturing industry. An important point here is that these entrepreneurs were economic innovators and not social ones. There is no evidence of any change in their motivations, social values and religious traditions. For example, their attitudes towards education and the role of woman remained as traditionally Islamic as ever. For Papanek “it is difficult to interpret what happened in Pakistan in terms of a slow fundamental change in motivation, or in ideology or in custom which then caused alteration in economic behaviour”. “The most obvious change that took place in 1947 was in the economic opportunity” (op. cit., pp. 54-55). And these new opportunities were effective in creating entrepreneurial activity.

A similar case can be made for the increase in the number of entrepreneurs in the Philippines. Here Carroll (1965) has attributed this to changes in the climate of entrepreneurship and in particular to government policies of 1950-1960 which, through a series of measures, reduced the uncertainty of entrepreneurial activity. With a reduction in uncertainty went an increase in the number of active entrepreneurs. These two examples suggest that the economic and political environment exerts an independent and decisive influence on the determination of the volume of entrepreneurship in that entrepreneurs either pursue a conservative line of investment in persistence zones or else simply do not invest at all.

However, it is overly simplistic to move from this to an explanation of the emergence of entrepreneurs entirely in terms of changes in economic incentives, such changes being determinable by government policy. After all, such incentives may either be unsuccessful or not offered at all. The reasons for this must be sought in the nature of the social structure which tends to become established in persistence areas. We can illustrate this with the examples of Chile and of Nigeria.

First Nigeria. Here the period 1946-1966 was marked by government attempts to set up a development plan to capitalise on the post-war boom and either to guarantee or to cut the risks of investment (Akeredolu-Ale, 1975). This was done using the full range of policies available – lending facilities, partnerships with private investors, industrial incentives, tax holidays, accelerated depreciation allowances and protective import duties. These changes occurred alongside an increase in the urban population which increased the size of the domestic market. There was, admittedly, unemployment in the cities. This meant that actual demand was below potential demand. But meeting actual demand could help increase employment and hence bring actual and potential demand into line. Here then was an environment in which a private sector could flourish and an environment which

increased the overall volume of economic opportunities. Yet while such changes produced native entrepreneurs in both Pakistan and the Philippines, they did not have the same effect in Nigeria. The critical difference, however, lies in the dependent state of the Nigerian economy and its control by foreign companies. The post-war boom was pre-empted by foreign companies. A substantial native capitalist class could not emerge from this boom with accumulated resources and ready for entrepreneurial activity. The dominance of foreign companies meant they could (and did) take most of the new opportunities which emerged. This dominance was accompanied by the policies of such firms to keep natives out. They were always in a structural position to take more, controlling as they did most private entrepreneurial resources including commercial credit. The result, in Akeredolu-Ale's words, was "a progressive pre-emption of spheres of enterprise" (op. cit., p. 58). This could have been curtailed by aggressive government policies but in a country dominated by a foreign capitalist class and their local representatives their interests tended to find reflection in government policies. Thus, there was no serious attempt by the government to protect native industry. Even when an independent Nigerian government was set up, its nationalism was of a purely political nature and this was reflected in an open-economy policy. So, as a result of such factors, the foreign sector remained dominant and indeed increased, due to the addition of new foreign manufacturing companies who came in response to government incentives. At the end of 1966, the manufacturing sector was in the control of non-Nigerian firms and these were concentrated in the most profitable sector of the economy.

Thus, in Nigeria, the dependency relationship between international monopoly capital and the native economy has led to a structural constraint on the possibility of the emergence of indigenous entrepreneurs. This constraint is rooted in the country's economic and political history and it is at this macro-level that the apparent shortage of entrepreneurs must be considered and not at an individual or micro-level of social relationships. This point can be substantiated with the example of pre-Allende Chile. Here we draw on Frank's (1972) account. He begins with the expansion of mercantile capitalism into Latin America in general and Chile in particular and the situation of dependency created by this expansion. This resulted in a particular type of class structure which has conditioned all subsequent attempts to develop native entrepreneurship. The production of gold gave rise to a resident commercial and productive bourgeoisie who directed this production and shared its benefits with the colonial bourgeoisie. Being a dependent bourgeoisie, relying on an external economic power for their social position, they remitted their profits back to the mainland where they were used in metropolitan development. What profits they retained could have provided a source of capital to finance national development, but the colonial structure



had created high profitability for exports and an unequal distribution of income which made production for the home market unrewarding. They reacted to this situation in a true entrepreneurial fashion, seeking high profits with low risks, by using the surplus for reinvestment to expand export potential or to import capital goods for the same purpose. Thus, their investment strategy, while realising profits for themselves, on a material level merely increased the strength of the foreign economic forces which were expropriating national resources on a large scale for their own development. Thus, Frank says, "this bourgeoisie made the development of underdevelopment in Latin America into a self reinforcing part of the historical process". "This colonial structure", he continues (*ibid*, p. 23), "with some temporal and local exceptions, has persisted until today" (see also Pike, 1968 and Johnson, 1972).<sup>3</sup>

This dependent bourgeoisie has been in a position to ensure that government policies have been in their favour and thus, unlike Pakistan and the Philippines where the government were prepared to protect native interests against foreign capital, the Chilean bourgeoisie were able to prevent this occurring. Thus, in 1850-60 the bourgeoisie saw its interests being challenged by nationalist interests in the interior of Chile who forced the government to impose protective tariffs. Native industry flourished briefly. These tariffs, however, were to the detriment of the import/export interests and, to protect them, the dependent bourgeoisie were prepared to fight, and to win, civil wars against these nationalist groups. In this they had the active support of metropolitan powers. The emergence of imperialism and the increased demand for raw materials consolidated the power of the dependent bourgeoisie. They responded to the increased profitability for the export of raw materials by massive investment in infrastructure to increase the speed and efficiency of export behaviour. In Chile, as in Mexico, Brazil and Argentina, it was native capital which built the railroads. The pattern of railroad construction shows the clear link with the export trade in that they all come together in the giant railway stations of the export ports. The net result of such events was to consolidate the class structure created by mercantile capitalism.

3 Frank is prepared to allow for minor changes in this structure. One such change occurred in the inter-war period when dependency relations were weakened by the breakdown of world trade. In these circumstances there was a shift of the balance of power as between industrial and agricultural elites with the result that domestic industry increased in importance. However when the war ended dependency relations were re-established and domestic industry declined. Other writers (for example Cardoso and Faletto, 1979) would not be prepared to accept the persistence of the colonial structure in the form suggested by Frank. Cardoso (1972) has argued that a change in the structure of economic opportunities created by multi-national companies has altered the environment for entrepreneurs in many Latin American countries in the 1950s and 1960s. This argument is consistent with the perspective outlined in this paper.

Thus, it is this class structure which maintains the particular structure of profitability which exists and, in doing so, restricts or prevents, with the aid of the metropolitan powers, any attempt to restructure it in ways which might encourage the emergence of a nationally-oriented entrepreneurial class. It is in this fashion that the existing economic and social structure tends to endure, and be made more enduring, in persistence zones. It is such factors which must be considered in the study of entrepreneurship in such areas.

In summary then, the argument of this section is that the emergence of entrepreneurial behaviour must be considered as a function of the surrounding social structure, a structure which has been shaped by the economic and political history of the particular society under examination. Such behaviour can only be altered by changes in this structure, and especially in the economic element of it, which lower the degree of uncertainty attached to investment in what Easterbrook has termed "persistence zones".

#### *More Specific Influences*

The perspective outlined above tends to underplay the role of values, personality types and other more traditional elements in the study of entrepreneurship. However, it does not altogether dismiss them. It stresses that analysis must start at the macro-level, in the framework of a country's political and economic history and in how this has structured the opportunities for entrepreneurship. But while such opportunities may well be structured by historical factors, not all of those in a position to avail of such opportunities do so. Some respond positively while others, who perhaps could, either do not respond or else respond inadequately. Not all of the shortfall in entrepreneurship is therefore explicable in terms of economic and political history.

It is at this point that there is a need to mobilise other factors in explaining the variety of responses. It is here that sociological analysis must move to the level of social values, psychological characteristics and that other aspects of individuals, social groups and business enterprises become appropriate.<sup>4</sup> The problem at this level is to delineate the particular variables which might explain these differential responses, a problem which is compounded by the unsystematic nature of much of the research in this area.

Three strong contenders in previous work have been the roles of the extended family, of social approval and of social status in suppressing the entrepreneurial inclinations of large groups of people. We shall deal with social approval first. For many writers, and particularly those at the Harvard

<sup>4</sup> In his analysis of Nigerian entrepreneurship Akeredolu-Ale (1975, pp. 20-34) also suggests the need for a similar level of analysis but, at this level, he gives importance to a different set of values.

Research Centre in Entrepreneurial History, the degree of social approval which entrepreneurial activity receives will decisively influence the extent of response to entrepreneurial opportunities (Aitken, 1965). Their theoretical formula is simply that the degree of social approval affects the quantity and quality of entrepreneurship. However, much of the empirical evidence does not really support this proposition. Take one of Gerschenkron's (1966) examples — Russia in the second half of the nineteenth century. Here former serfs and sons of serfs engaged in large-scale entrepreneurial activities including the construction of the merchant fleet on the Volga River. There was little doubt that these activities were at variance with the dominant values. Yet despite this, they continued unhindered. Large fortunes were made and many entrepreneurial innovations successfully launched. For Gerschenkron, the effect of anti-entrepreneurial values was not to suppress entrepreneurship and industrialisation but to compress them into periods of rapid growth. "Perhaps", as he says, "the generalisation may be ventured that adverse social attitudes towards entrepreneurs do not sufficiently affect the process of industrialisation unless they are allowed to become crystallised into government action" (op. cit., p. 71). Given the world-wide political commitment to industrialisation and development, the latter possibility is becoming increasingly unlikely.

If the degree of social approval appears to be an unlikely contender for explaining differential responses, the position is somewhat similar with the extended family. Traditionally this has been seen as a barrier to entrepreneurship in that it is held to dampen incentive, discourage risk-taking and impede capital mobilisation.<sup>5</sup> The expectation that all profit earned, but unequally worked for, will have to be distributed in line with the kinship obligations, is held to be sufficient to prevent most from trying to realise such profits. However, some recent evidence suggests that whilst the extended family has negative effects on entrepreneurship, its positive effects may in fact outweigh them. The extended family can provide conditions which appear to facilitate the training of the entrepreneur and the establishment of the business firm. These conditions include the inter-relationships provided by the marriage networks of the family, which can provide either the capital or access to the credit facilities to launch an entrepreneurial career. This has been shown to be true of India (Javillamar and Peters, 1973; Medhora, 1965), Nigeria (Nafziger, 1969) and Lebanon (Khalof and Shwari, 1966).

And finally the question of social status. This is closely related to the question of social approval in that it suggests that if society accords a low status to the role of entrepreneur, it will generate a tendency for businessmen

5 This point is made in the standard textbooks, namely Higgins (1968, pp. 255-256) and Kindleberger (1972, pp. 21-22).

to seek after socially valued attributes to the neglect of their entrepreneurial role. Thus, the difference in growth rates between Belfast and Dublin in the nineteenth century has been explained in these terms (Lee, 1973, pp. 14-19).<sup>6</sup> The rapid growth of Belfast has been attributed to brilliant entrepreneurship while the slow growth of Dublin is seen as due to the pervasiveness of a concern with social status which led to a tendency to leave business as soon as possible for more socially prestigious pursuits. But while such views may be partially correct, they fail to recognise that the maximisation of profit may well act as a means to the other ends which motivate entrepreneurs, such as an interest in placing their families in leading positions in a growing community. Thus, in that sense, the concern for social status may not interfere with entrepreneurship as an activity. It merely suggests to what use entrepreneurs may put the rewards of their activity.

If these three variables are not, therefore, of such great importance in explaining the differential responses to entrepreneurial opportunities, where must we look for more suitable candidates? Evidence from studies in developing countries shows that the area where entrepreneurial performance appears to be most satisfactory and where ability appears to be differentially distributed is in the area of management. It is shortcomings in this area which, we contend, hinder an adequate response to economic opportunities. It is to such factors that we must look to assess differential performance.<sup>7</sup>

It is of central importance, as we shall see below, to stress managerial shortcomings but it is also necessary to separate entrepreneurship from management. An entrepreneur is someone who invests in a business venture to make a profit. As such he can either supply the managerial skills himself or else purchase them in the society. His inability to purchase such skills or the poor quality of the available "product" will be an obvious limitation on his entrepreneurial performance.

The impact of management has been established in many underdeveloped areas. For example, Kilby (1971) investigating the baking industry in Nigeria, was able to attribute the loss of three-quarters of the potential profits to managerial defects in the form of raw material wastage, damage on production runs and widespread pilferage by workers. Similarly, a study of the Brazilian textile industry by the United Nations showed that the average operational efficiency of firms was only about 50 per cent of that which was potentially obtainable. Two-thirds of this difference was the result of managerial shortcomings. Other examples of these shortcomings are shown for Puerto Rico and Mexico by Strassman and for Latin America generally by Hirschman

6 For an alternative analysis, see O'Malley (1981).

7 This section of the paper is based on ideas put forward in P. Kilby, "Hunting the Heffalump", in P. Kilby (ed.), 1971.

(cited in Kilby, *op. cit.*). This problem remains in Kilby's words, "a crippling bottleneck to industrialisation based on indigenous entrepreneurial resources" (Kilby, *op. cit.*, p. 31).

Kilby goes on to specify these managerial deficiencies in greater detail. They include the inability to match supplies of raw materials with the requirements of production, inadequacy of plant maintenance, the inability to use accounting systems as an aid to better management and the general wastage and misallocation of resources. These defects result in the failure either to perceive, or to act quickly upon, profitable opportunities. He has suggested four possible levels at which these managerial problems may be rooted. The first three levels conceive the problem as one which, however deeply it is rooted, can be solved by investment in appropriate training facilities. A properly organised educational programme would solve them. There is, however, one obvious objection to such a solution, an objection which Kilby fails to recognise. This objection is similar to the one which has been made to Lipset's (1967) suggestion that the expansion of the Latin American University system would lead to greater emphasis on achievement and in this way it would promote economic development. As Rhodes (1968) says, this is at best a secondary issue. If Latin America was capable of mobilising the resources to expand the university system or to provide jobs for the graduates of that system, the problem of achievement motivation would hardly be central. Similarly, if an underdeveloped country was capable of organising and running an efficient and effective technical education, managerial deficiencies are unlikely to be a shortcoming in such a society.

It is at Kilby's fourth level that the problem can be most productively investigated. This suggests that these managerial weaknesses are the result of a society's past experience of managerial roles, and such weaknesses can take two different forms. They can materialise as problems either of role discontinuity or of role incongruity. Let us examine role discontinuity first. In a society where similar managerial-style activities existed in the past, socialisation ensures that the required skills are transmitted from one generation to another. In such a society managerial shortcomings are likely to be minimal. However, when there are what Kilby calls "no transmutable antecedent roles" (Kilby, *op. cit.*, p. 37), we will find considerable managerial weaknesses especially in the co-ordination and control aspects of the managerial role. These latter aspects are central to the efficient running of a modern industrial enterprise.

The problem of role discontinuity did not arise for example in Britain in the Industrial Revolution. Revolution is, in fact, a misnomer for, as Wilson puts it (1957, p. 142), "abrupt change was not characteristic of the economic process, certainly not in the eighteenth and nineteenth century. The new industrial changes linked organically and personally with an older economic

world at every stage". In terms of the managerial roles, there were, as Pollard points out, strong antecedent traditions of management (Pollard, 1965, p. 18).

And even with the advantages of such traditions, it was still the beginning of the nineteenth century before an adequate level of managerial efficiency was established. If a society like Britain had such large management problems, the situation of a society which is marked by low role differentiation will be so much worse. There will be huge problems of role discontinuity, problems which will be magnified if new technology is introduced. This technology will require an extensive division of labour and therefore a higher degree of managerial supervision. If such a technology is introduced into a company which has already serious managerial defects, these weaknesses can only become more obvious.

However, not all developing societies are characterised by such low levels of role differentiation. Some have high structural differentiation and here the problem of role discontinuity may not be so prevalent. The problem may in fact be of a slightly different nature — namely that of role incongruity. The managerial roles currently existing in such societies may be unsuitable or inappropriate to a business organisation which uses a new form of technology or attempts to break into new markets. Thus, a firm which presently operates with small scale production and has a managerial structure appropriate to this technology, may have the desire to respond to new market opportunities. But if these opportunities involve a movement to a mass production technology, it may experience considerable managerial difficulties in making such a change, difficulties which will inhibit the adequacy of its response to the new opportunities.

The argument being put forward in this section accepts that the economic and political history of a country structures the opportunities for the emergence of entrepreneurs and for the direction which their activities will take. However, it seeks to complement this perspective by looking for the factors which might explain why there is a differential *response* to such opportunities. Three inhibiting factors — the degree of social approval of entrepreneurial activities, the role of the extended family, and social status — are discussed but their importance is judged to be over-stated. Instead, we suggest that the differential distribution of managerial competence, both between societies and between potential entrepreneurial groups within a particular society, may well be the crucial factor. This, we argue, can best be examined by looking at the degree of role continuity and role congruence between old and new managerial roles. Thus, a perspective on entrepreneurship which remains at a macro-level and which fails to complete the picture with the above kind of considerations, remains necessarily incomplete.

## IV SUMMARY AND CONCLUSIONS

The argument of this essay has been that the factors which bring into being large numbers of entrepreneurs are located primarily at the level of a country's political and economic history, as is the direction which their activities take. As such it departs from the more conventional and much criticised psychological approach to the study of entrepreneurship. Instead it suggests that entrepreneurship be seen as the response of social groups to opportunities for economic gain and it stresses that such opportunities are structured by the particular history of the society under examination. It further suggests that while such opportunities are so structured, analysis of entrepreneurship must also proceed to the question of why there might be differential response in a society to such opportunities. This question, it is felt, might be best approached through a perspective which focuses on the degree of role continuity and role congruity between previous economic roles in a society and those required for an efficient and effective response to new entrepreneurial opportunities. For an adequate theory of entrepreneurship, a detailed consideration of both these levels is essential.

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