Entrepreneurship: Concepts, Theory and Perspective. Introduction

Álvaro Cuervo[1], Domingo Ribeiro[2] and Salvador Roig[2]

[1]Universidad Complutense de Madrid

[2]Universitat de València

The creation of a country's wealth and dynamism depends upon the competitiveness of its firms and this, in turn, relies fundamentally on the capabilities of its entrepreneurs and managers.

The essence of the modern firm lies in the specialization of functions. "The businessmen" that manage economic activity are, in the strictest sense, both managers and entrepreneurs, the latter in a double sense: the individual businessman (independent) and the "corporate entrepreneur" who, without participating significantly in terms of capital, controls the firm.

Studying business capabilities requires the differentiation between the functions of entrepreneur, manager and capitalist, although in many cases; the same person may perform all three (Table 1).

The individual entrepreneur detects or creates business opportunities that he or she then exploits through small and medium-sized firms, normally participating in funding the capital for that firm, carries out the role of arbitrator, or simply "sells the idea" of the business project. The "corporate entrepreneur" or the chief executive of large firms must also be considered. This figure is no longer limited to efficiently managing the firm's assets and coordinating and controlling its activities. He or she must anticipate, articulate and manage change. In other words, corporate entrepreneurs must reinvent the firm on a daily basis, creating new enterprise (*spin-offs*) and developing company networks. When discussing the figure of the corporate entrepreneur, one must also consider the key shareholders that take an active part in the firm, along with managers that share in making up the firm's basic competences.

However, the manager's function is first and foremost to supervise the process of combining resources, and efficiently manage the firm's business portfolio. They have a key function when, as is normally the case, firms do not operate efficiently (Leibenstein, 1979), and instead are a long way short of their production boundaries. A second but fundamental task of the manager is to build up a reputation and an atmosphere of trust that transforms a conflictive system (individuals with conflicting objectives) into a system of cooperation. Managers should create a climate of trust so that employees will not tend towards opportunist behaviour, even when it suits their short-term interests, as well as achieving a greater degree of efficiency by reducing supervision and agency costs.

Table 1. Entrepreneurs, managers and capitalists

	Entrepreneur	Capitalist	Manager
Characteristics	Discovers and exploits opportunities A creator who initiates and motivates the process of change	Capital owner: shareholders Controlling shareholder Passive shareholder	Administrates and manages resources An administrator
Behaviour	Accepts risks Uses intuition, is alert, explores new business Leadership, initiates new ways of acting Identifies business opportunities Creation of new firms	Risk averse Assesses alternatives Choice of venture assets	Risk averse “Rational” decision-maker Exploits business Creates and maintains competitive advantage Creates trust to enhance cooperation Supervision of the administrative process

Finally, the capitalist is the provider of the firm’s funds, either in the form of a passive shareholder (in the case of small shareholders or institutional investors) or as a majority or active shareholder who, in many small and medium–sized firms, assumes both the entrepreneurial and managerial functions.

Entrepreneurship

The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane and Venkataraman, 2000). The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity.

Entrepreneurial opportunities exist because different agents have differing ideas on the relative value of resources or when resources are turned from inputs into outputs. The theory of the entrpreneur focuses on the heterogeneity of beliefs about the value of resources (Alvarez and Busenitz, 2001: 756).

Entrepreneurship – the entrepreneurial function, can be conceptualized as the discovery of opportunities and the subsequent creation of new economic activity, often via the creation of a new organization (Reynolds, 2005).

Due to the fact that there is no market for “opportunities” where the entrepreneur could sell the opportunity to others who will develop it, the entrepreneur must exploit them, meaning that he or she must develop his or her capabilities to obtain resources, as well as organize and exploit opportunities. The downside to the market of “ideas” or “opportunities” lies in the difficulty involved in protecting