

Entrepreneurship: Past Research and Future Challenges*

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Abstract

The contributions and shortcomings of past entrepreneurship research can be viewed within the context of six research design specifications: purpose, theoretical perspective, focus, level of analysis, time frame and methodology. The authors suggest a unifying definition of the field of entrepreneurship. The recent trend toward theory driven research that is contextual and process oriented is encouraging. It is time for entrepreneurship researchers to pursue causality more aggressively. Exploratory studies that are not theory driven should be discouraged unless the topic is highly original. Implications for practicing entrepreneurs are discussed.

The past decade has witnessed a significant rise in popular enthusiasm for entrepreneurs and entrepreneurship. This enthusiasm has been matched in the academic arena, resulting in a significant increase in the amount of research effort being devoted to the subject¹. This increased attention seems justified given the growing evidence that new firm creation is a critical driving force of economic growth, creating hundreds of thousands of new jobs (Birch, 1979; Birley, 1987; Reynolds, 1987), as well as enhancing federal and local tax revenues, boosting exports, and generally increasing national productivity (*President's Commission Report*, 1984).

As a body of literature develops, it is useful to stop occasionally, take inventory of the work that has been done, and identify new directions and challenges for the future. This reflective process is essential in order to derive the maximum benefit from future research. The purpose of this review is to provide such a reflective moment for the field of entrepreneurship research. The contributions and shortcomings of past research will be examined and suggestions will be made for the direction of future research.

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¹ There are several sources that can provide basic background for the non-specialist interested in entrepreneurship research. *The Encyclopedia of Entrepreneurship* (Kent, Sexton, & Vesper, 1982) and its recent sequel, *The Art and Science of Entrepreneurship* (Sexton and Smilor, 1986) provide comprehensive reviews under a range of entrepreneurship related subject headings. *Entrepreneurship and National Policy* (Vesper, 1983) provides an excellent discussion of the new venture process and implications for national policy. Finally, review articles by Gartner (1985a) and Wortman (1987) provide a good overview of the literature.

The organizing theme of this paper consists of six key specification decisions that we feel researchers need to address as they begin to assemble a research program in the area of entrepreneurship. These design specification decisions are interrelated, and cannot be made independently. However, for the purposes of this paper, we will consider each of the following research dimensions separately: **Purpose**-what is the specific as well as larger purpose of the study? **Theoretical Perspective**-what is the theoretical perspective adopted? **Focus**-on what specific phenomena shall the investigation be focussed? **Level of analysis**-what level or levels of analysis will be considered? **Time frame**-what length of time frame will be considered? **Methodology**-what methodology will be adopted?

Past entrepreneurship research will be reviewed within the context of these six design dimensions.² This organizing structure is meant to complement previous reviews that have been organized around subject categories or units of analysis. Readers who have limited familiarity with the entrepreneurship literature or those interested in specific topics may find it useful to refer to these previous comprehensive works.

Finally, since our intention is to provide a critical review, we wish to preface our remarks by acknowledging a debt to those who have pioneered the study of entrepreneurship. Although hindsight makes it easy to identify the shortcomings of early studies, it is important to recognize that these works were necessary first steps in the exploration of the entrepreneurship phenomenon.

Decision 1: Specification of Purpose

Entrepreneurship is a multifaceted phenomenon that cuts across many disciplinary boundaries. Studies falling under the rubric of "entrepreneurship" have pursued a wide range of purposes and objectives, asked different questions and adopted different units of analysis, theoretical perspectives and methodologies. This diversity is reflected in the many and varied definitions of entrepreneurship: Schumpeter (1934) defined entrepreneurship as "carrying out new combinations." Knight's (1921) definition focussed on the ability to predict the future successfully. Leibenstein (1978) argued that firms do not necessarily operate at the outer limit of their production function; therefore, entrepreneurship is the ability to work smarter and harder than your competitor. Kirzner's (1973) concept is closely linked to arbitrage and the ability to correctly anticipate where the next market imperfections and imbalances will be. Cole (1968) defined entrepreneurship as purposeful activity to initiate, maintain, and develop a profit-oriented business. Stevenson, Roberts and Grousbeck (1985) suggested that entrepreneurship is being driven by perception of opportunity, rather than resources currently controlled. And Gartner (1985b) defined entrepreneurship as the creation of new organizations. Empirical researchers have argued for some time that this inability to agree upon common definitions has hampered research progress (Gartner, 1985a; Vesper, 1983).

² Limitations of space have meant that this review has focused primarily on US literature related to new firm creation. It is important to note that there is a well defined literature on corporate venturing as well as a rapidly growing body of European literature that is not discussed in this review.