

# Chapter 1

## Introduction: Background on Entrepreneurship

The purpose of this chapter is to discuss:

- the various definitions of entrepreneurs and entrepreneurship and provide a definition for the purpose of this Guide;
- the relevance of entrepreneurial activity to positive economic growth;
- the prevalence of entrepreneurship in today's society; and,
- how entrepreneurship education and programs can support positive youth outcomes.

### What Is Entrepreneurship?

The definition of entrepreneurship has been debated among scholars, educators, researchers, and policymakers since the concept was first established in the early 1700s. The word is from the French and German words for “undertake.” “The number of definitions of entrepreneur and entrepreneurship that have been produced over the years in literature is daunting” (Carton, Hofer, Meeks, 1998). Gartner (1988) lists 32 different definitions and eight themes (1990). However, the various definitions of entrepreneur reflect some commonality including the following:

1. Entrepreneurs have certain identifiable personality traits. Research reflects that they tend to exhibit risk taking, commitment, vision, and perseverance characteristics. While this could arguably imply that entrepreneurship skills are not necessarily learned but are instead innate personality traits, given the many different types of people who have been entrepreneurs and the many different kinds of venues and programs for learning entrepreneurship, this

explanation seems unlikely. Knowing the types of traits associated with entrepreneurship may nonetheless be helpful in understanding what is involved in developing a successful business.

2. Entrepreneurs undertake certain identifiable activities. For example, entrepreneurs evaluate and develop ways of managing risk, so as to gain a payoff. Although the literature sometimes portrays entrepreneurs as risk-takers who put everything they own on a single idea, it is seldom that simple. Entrepreneurs may take risks but they also have made contingency plans. In general, risk is an important concept in life. Individuals take actions to avoid risks or take action to mitigate the consequences of certain actions.
3. Entrepreneurs work alone or with only a few others to achieve a certain outcome. Entrepreneurial literature discusses how entrepreneurs can operate in large corporations or other bodies to create some new entity through intrapreneurship or corporate entrepreneurship. Corporate entrepreneurship is the idea that firms can behave in a proactive, innovative, and risk-taking manner (Das and Teng, 1997).
4. Entrepreneurs gain certain outcomes as a result of their activities such as a new business venture or wealth.

For the purpose of this Guide, entrepreneurship is defined as **the process of finding and evaluating opportunities and risks, and developing and executing plans for translating those opportunities into financial self-sufficiency**. The two variables of this definition are process and risk.

***There is a great deal of interest in entrepreneurship and self-employment. A poll from Junior Achievement (JA) in 2005 found that 68.6 percent of the teen-aged youth interviewed wanted to become entrepreneurs.***

This definition introduces the concept of financial self-sufficiency because when the *Guideposts for Success* are discussed in the next chapter.

### **Relevance and Prevalence**

Business ownership has been the American dream. Entrepreneurial firms contribute to the U.S. economy in two ways. First, they provide change and competition that grows and innovates the economy. Second, they provide opportunities for many to enter the mainstream economy. The U.S. economy's recent success comes from change and competition as large firms adapt to new conditions (Kuratko, 2003). As new firms are created to capture new opportunities, this has led more women, minorities, immigrants, and other populations to enter the economy.

The number of businesses with no paid employees grew from 17.6 million in 2002 to more than 18.6 million in 2003. This 5.7 percent growth rate represents the biggest increase in self-employment since the Census Bureau began releasing such statistics in 1997; 3.9 percent, the rate during the period from 2001 to 2002 period, was the previous high (U.S. Census Bureau, 2005).

Minority groups and women are increasing their business ownership at a much higher rate than the national average (U.S. Census Bureau, 2005). While the number of U.S. businesses increased by 10 percent between 1997 and 2002 to 23 million, the rate of growth for minority- and women-owned businesses was far higher, ranging from 67 percent for native Hawaiian and other Pacific Island-owned businesses to 20 percent for firms owned by women (U.S. Census Bureau, 2005).

According to the U.S. Small Business Administration, the self-employed represent 7 percent of the total

workforce and about 16 million businesses (U.S. Small Business Administration, 2002). The estimated 25.8 million small businesses in the United States:

- have generated 60 to 80 percent of net new jobs annually over the last decade;
- employ 50 percent of the country's private sector workforce;
- represent 97 percent of all the exporters of goods;
- represent 99.7 percent of all employer firms; and,
- generate a majority of the innovations that come from U.S. companies.

*Source: U.S. Small Business Administration, June 2006.*

There is a great deal of interest in entrepreneurship and self-employment. A poll from Junior Achievement (JA) in 2005 found that 68.6 percent of the teen-aged youth interviewed wanted to become entrepreneurs, even though they knew that it is a difficult proposition.

Each year the National Federation of Independent Business and VISA recognize youth entrepreneurs. In 2005, more than 2,000 youth who were entering college entered the competition. The winner was a 17-year-old from Wisconsin who is the founder and sole proprietor of a specialty apparel company. In 2006, the winner was a founder of a non-profit business that buys, renovates, and sells abandoned homes to families in need.

### **Relevance to Youth**

This Guide is not suggesting that all youth start and own a business. Rather, it is suggesting that entrepreneurial education and training programs can help in the development of a young person as they transition to becoming an adult. Studies show that educational and career development interventions can

make a positive difference in the lives of youth. Both practice and research have proven that work-based learning experiences lead to the education and employment success of all youth. There have been extensive reviews of research, demonstration projects, and effective practices that cover a wide range of services and supports from quality education to workforce development programs. Experiences from the field have shown that youth who are involved in vocational and entrepreneurial activities through programs or in education settings may experience a variety of positive outcomes (Bronte-Tinkew, J. & Redd, Z., 2001). Some of these include:

- improvements in academic performance;
- increased problem-solving ability;
- school attendance;
- practical skills such as teamwork, problem-solving, money management, decision-making, personal responsibility, and public speaking;
- growth in the development of leadership skills;
- job readiness;
- improvements in student's knowledge of entrepreneurship and entrepreneurial attitudes;

- short-term economic advantages;
- consistent gains in factual knowledge related to the actual experience;
- social development;
- enhanced social psychological development (self-esteem, ego development, self-efficacy);
- improvements in interpersonal relationships; and,
- improvements in perceived health status.

Youth entrepreneurship programs may include group projects with youth working together to develop a new product, working with existing products, or working through simulations. Many of the programs described in this Guide offer entrepreneurial activities that provide benefits to young people with varying educational, societal, or socio-economical circumstances. The possibility of earning money and the responsibility connected thereto can be a great motivator and incentive for youth. The next chapters provide information on developing quality entrepreneurial education programs for all youth, including youth with disabilities.

## Research Findings and Implications

### Definition of Entrepreneurship

The modern definition of entrepreneurship was introduced by Joseph Schumpeter, a European economist, in 1934. According to Schumpeter, “the carrying out of new combinations we call **enterprise** and the individuals whose function it is to carry them out we call **entrepreneurs**” (as cited in Carton, Hofer & Meeks, 1998).

Carton, Hofer, and Meeks (1998) provide an operational definition of entrepreneurship that attempts to encompass definitions from scholars like Schumpeter. They surmise that “entrepreneurship is the pursuit of a discontinuous opportunity involving the creation of an organization (or sub-organization) with the expectation of value creation to the participants. The entrepreneur is the individual (or team) that identifies the opportunity, gathers the necessary resources, creates, and is ultimately responsible for the performance of the organization. Therefore, entrepreneurship is the means by which new organizations are formed with their resultant job and wealth creation.”

In 1997, Nelson and Johnson studied the roles of an entrepreneur and found that an entrepreneur has the ability to look at the environment, identify opportunities for improvement, gather resources, and implement actions to maximize those opportunities.

The Kauffman Foundation, which supports research in entrepreneurship, has defined an entrepreneur as “someone who is willing and eager to create a new venture in order to present a concept to the marketplace” (Kauffman Foundation, 1997). The U.S. Small Business Administration, which is the federal government agency that provides information to small businesses, defines an entrepreneur as “one who assumes the financial risk of the initiation, operation and management of a given business or undertaking” ([http://app1.sba.gov/glossary/act\\_searchform.cfm](http://app1.sba.gov/glossary/act_searchform.cfm)).

Bygrave and Hofer (1991) and Christensen, Madsen, and Peterson (1989) further define entrepreneurship as “individuals who had recognized an opportunity and brought together the resources to take advantage of opportunities.” Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control (Stevenson & Jarillo, 1990).

### Work-Based Learning

Work-based learning takes many forms and serves many purposes and its worth is recognized throughout the world. The Organization for Economic Co-Operation and Development (OECD) has documented what various countries do in their education and job training programs to achieve the goal of smooth transition from initial education to working life. In some countries, apprenticeship programs are a core secondary education strategy, are organized through formal contracts between the employer and the student, and often last three or more years. Less formal arrangements can be found through co-op education programs where students are placed in real jobs for a limited period of time (e.g., a semester) as a part of the program of study.

A “sampling” of the literature on contextual teaching and learning by Medrich, Calderon, and Hoachlander (2003) found that the research was “often methodologically vague and hardly conclusive.” However, there was some evidence that work-based learning increased student attendance, decreased dropout rates, reduced suspensions, and increased student engagement in school. One study showed that students engaged in work-based learning were more likely to attend college or go to work compared to their peers. Although research relating contextual learning to academic achievement was very limited, one study indicated that work-based learning “significantly improved a student’s grade point average and attendance” and another found that students participating in work-based learning experiences enrolled in higher level math and science courses more often than their peers.

Participation in service-learning, which is similar to work-based learning in that students work outside the classroom on community projects using work-related skills and knowledge, can have positive effects on those who participate. A study of AmeriCorps participation showed positive impact on employment outcomes. AmeriCorps is a network of local, state, and national service programs that connects more than 70,000 Americans each year in intensive service to meet our country’s critical needs in education, public safety, health, and the environment. Most notably, participants in AmeriCorps state and national programs were significantly more likely to choose careers in public service compared to the comparison group. AmeriCorps members did experience statistically significant increases in their work skills compared to the comparison

## EXHIBIT 1-1: RESEARCH FINDINGS AND IMPLICATIONS

group. (Corporation for National and Community Service, Office of Research and Policy Development).

Earlier studies have shown that students who participated in service-learning activities scored higher on grade point average than a comparison group in one study. In another study, “service-learning participation was associated with higher scores on the state test of basic skills and higher grades” (Medrich, Calderon and Hoachlander, 2003).

While work experiences are beneficial to all youth, they are particularly valuable for youth with disabilities. One of the most important findings from the research shows that work experiences for youth with disabilities during high school (paid or unpaid) helps them acquire jobs at higher wages after they graduate. Also, students who participate in occupational education and special education in integrated settings are more likely to be competitively employed than students who have not participated in such activities (Blackorby & Wagner, 1996; Colley & Jamison, 1998; Luecking & Fabian, 2000; Rogan, 1997).

Unfortunately, many young people with disabilities do not have the opportunity to participate in structured high-quality programs designed to help them make informed choices about what careers they may want to pursue (Luecking & Fabian, 2000). Youth with disabilities continue to actively struggle to achieve success in the labor market. They are frequently channeled into inadequate education for work programs because of low expectations and/or discriminatory assumptions about disability (Fairweather & Shaver, 1990; Rojewski, 1996).

There is evidence that many youth with disabilities can be successful in quality careers needing technology-based skills if they are exposed to (1) settings that have high expectations, and (2) career opportunities that demand strong academic and technical know-how.

All too often youth with disabilities are separated out into jobs focusing on the five F’s: filing, food, flowers, filth, and folding. While there is honor in all work, there is no honor in systematically channeling youth with disabilities to those types of careers. Rather, to meet the needs of a knowledge-based economy, it is critical that the workforce development system prepare all youth to contribute at the maximum level possible (NCWD/Youth, 2003).

The National Foundation for Teaching Entrepreneurship (NFTE) commissioned research to evaluate the effectiveness and impact of its programs. Evaluation studies conducted by Brandeis University (1993-1997), the Koch Foundation (1998-1999), and the Harvard Graduate School of Education (2002-present) found that when youth participated in entrepreneurship programs:

- interest in attending college increased 32 percent;
- occupational aspirations increased 44 percent;
- independent reading increased 4 percent;
- leadership behavior increased 8.5 percent as starters/founders of activities and 13.2 percent as leaders;
- belief that attaining one’s goals is within one’s control (locus of control) increased; and,
- alumni (99 percent) recommended NFTE programs (<<http://www.nfte.com/impact/>>).