**Whither Entrepreneurship?**

Schumptoberfest, 10/22/11, Jerry Gustafson, Beloit College

I am really happy to be here. I congratulate Adam and David for hosting us so we can share ideas. Teaching entrepreneurship in a college can be lonely. Especially in its practical “how-to-do-it” manifestations it lacks a clear place to fit. It is solidly in the business schools, now, but I am told even that was a struggle. The liberal arts are another matter. Maybe I am not alone when sometimes I feel like Little Orphan Annie – why couldn’t some nice discipline just come along and adopt me? I was an economist and probably could have stayed as long as I remained theoretical. But I learned from students that I had to get practical. As a subject, entrepreneurship is vulnerable and needs a good, strong department. I so admire Lawrence for its econ department picking up the cause with whole heart. I hope those of you who are in economics departments have similar commitment and support. Econ departments are our most likely homes. I am more used to situations, though, where we must continually justify our subject.

 Schumpeter, of course, is a great prophet and he inspires us. *He* does not dismiss or ignore us; he really, really likes us! I have dabbled periodically in *Theory of Economic Development* and *Capitalism, Freedom and Democracy.*  I look forward to David Hounshell’s expert views since I have often called on Schumpeter for intellectual justification. Anyone can see that he is a thinker of first stripe. Here is my Daddy Warbucks, I would think! Was there somewhere I could go get a note of approval from Dr. Schumpeter to my dean?

**A Qualified Tip O’ the Hat to Schumpeter**

Schumpeter, of course, awarded a starring role to entrepreneurship in the economy. Entrepreneurs are the source of all economic dynamism and change. They cause that “gale of creative destruction” that is so thrilling. Surely this subject, although inherently interdisciplinary, merits at least a slot in the standard electives in economics. That might confer legitimacy and erase the defensive posture in which today’s teachers of the subject often find themselves. But Schumpeter offers us surprisingly little support.

 Schumpeter lauds the *consequence*s of entrepreneurship. But he has no concern for what, how, and why entrepreneurs do what they do. About the nature of the entrepreneur, he says:

To act with confidence beyond the range of familiar beacons and to overcome…resistance requires aptitudes that are present in only a small fraction of the population and that define the entrepreneurial type as well as the entrepreneurial function. This function does not essentially consist in either inventing anything or otherwise creating the conditions which the enterprise exploits. It consists in getting things done.[[1]](#footnote-1)

 Entrepreneurs are those few special persons with the right “propensity.” Beyond explanation, the entrepreneurial type is a lifeless hero. Schumpeter’s play may glorify the fruits of entrepreneurial labor but he never truly gets the entrepreneur on stage. He observes entrepreneurship by its works and does not follow the tracks that lead these creations back to their seemingly magical source.

 Neither does Schumpeter fault other economists for their lack of a theory of the entrepreneur. His complaint is more that they lack *any* endogenous entity to perform the necessary function of change, and so get stuck in comparative statics. As Peter Drucker says,

Keynesian questions –[and those of his] predecessors as well – were not, Schumpeter thought, the important questions at all…. The central problem of economics is not equilibrium but structural change. This, then, led to Schumpeter’s famous theorem of the innovator as the true subject of economics.[[2]](#footnote-2)

 Schumpeter seems much more interested in change – in the “gale” – than in those who cause it. He is well aware that entrepreneurs are not the only cause of innovation. He describes the gradual routinization of process (that we now call research and development) although he regrets it (for sociological reasons that are Marxist in style if with opposite intent):[[3]](#footnote-3) Neither does he account for the vast amount of entrepreneurial effort that is not particularly innovative.[[4]](#footnote-4)

 For all his celebration of entrepreneurship, Schumpeter does not serve well as a point of welcome or touchstone for entry of entrepreneurial practice into economics or the arts.

 Schumpeter does identify innovation with entrepreneurship, however. That leads to a supposition that one could not teach one without the other. There is lots that economists have to say about innovation. Furthermore, innovation is a good, positive word, while “entrepreneurship” is suspect. Trite to say, but some liberal artists associate with that very word: “materialism, excessive individualism, greedy motivation, and vocationalism.” If the subject is a sore point with moralists why not avoid it? If innovation and entrepreneurship are inextricable in a Schumpeterian sense, why not just call the latter the former?

The problem is that there is too much to say about innovation. Drucker to the contrary, “innovation is the specific instrument” of the R & D lab as much as of the entrepreneur. We must consider a host of technologies, multiple applications, and rates of diffusion. The drama is in the impact of major invention. Locating its origins in entrepreneurial behavior seems a smaller story.

I wish Schumpeter had gone beyond assuming the existence of an entrepreneurial type to penetrate the mystery of what entrepreneurs actually do. But he is not our Daddy Warbucks. The entrepreneurial process still needs its own place. Without one, it remains marginal, de facto co-curricular, and subject to the whimsies of presidents, deans, and committee chairs.

**So Here is A Case for Entrepreneurship Education in the Liberal Arts**

 Definitions may be arbitrary and controversial. I mean by “entrepreneurship” the behavior of persons directed to the original organization of ideas, means, and people pursuant to the achievement of goals of those person’s own design. It is, as Stevenson says, “The commitment to create value without resources currently controlled.”[[5]](#footnote-5) It is a process of attaining self-selected ends through the start-up, growth, and harvest of systematically organized activity.

 What we know about this process and about the people who do it we owe mostly to those in the business schools. It is clear from their work that, although their interest is the entrepreneurial process in business, that process transcends business. In general terms, the process involves goal setting, the gathering of required means, the planning, the implementation, the improvisation in response to unforeseen contingencies, the development of systems and routine operations, the delivery of value, and the harvest of rewards. Evidence suggests that contrary to Schumpeter’s notion of a particular “propensity,” it is substantially learned behavior. Further, the process is one of action and it is best learned through practice.

 The process – the sequence of steps – is a simple science of action. Those who practice it tend toward its habitual use as they encounter a wide variety of problems -- those posed by life as well as by business affairs. Sarasvathy, who explores the cognitive basis of this behavior, refers to it as “effectual.” Expert entrepreneurship, she says, calls upon effectual behavior.[[6]](#footnote-6) It is not a great leap to suppose that its practice also *teaches* effectual behavior.

 A large literature on entrepreneurship now exists. There are canonical texts and new professional journals. Thousands of articles have been published, rigor has improved along with standard methods, and sub-specialties have developed. An array of new courses, majors, and Ph.D.’s has followed. Entrepreneurship has become a discipline.

 Our question is whether it is a *libera*l discipline. That may depend upon what we think is the purpose of liberal arts study. If we accept that one fundamental purpose is to aid graduates to achieve fulfilling lives, marked by personal accomplishment and excellence in service, then we should help them to become more effective as persons. While that requires them to become critical thinkers and to acquire mastery of knowledge, it also requires that they become *doers.*

 It is common to assert that mastery of knowledge without action is barren. We wish our graduates to be self-agents. We wish them to be efficacious. Entrepreneurship education is a vehicle for addressing these objectives head-on. Entrepreneurship *is* a liberal discipline insofar as it frees the person to accomplish wise goals of his or her own choosing. It is unique among the arts owing to its unremitting focus on *animating* the learner. Its presence in the curriculum completes – sets in motion – contemplative study. Seen this way, it is essential to the arts. It is the *ultimate* liberal art.

**Beloit’s Strategy: The Center for Entrepreneurship in Liberal Education at Beloit**

The Center rests on a modest curricular base: a course about the energy and vigor of the entrepreneurial style, a “how-to” course in new ventures, one in management, and sometimes, accounting. Over the years, I got it that students could generate great ideas but were none too adept at acting on them. Very good thoughts tended to be too abstract to invite action. Students needed practice and learned best by doing. Doing their deals required space. CELEB would be the place and would raise a banner for entrepreneurship in the liberal arts.

CELEB is 6,000 sf of renovated storefront downtown, a short walk from campus. It is cozy, professional, and free of campus distraction. It contains the Coleman New Ventures Lab to incubate student businesses. Each one gets private space, telephone, internet, part-time receptionist, conference rooms, and full amenities. Students apply by writing a business plan. They agree to work on their deal for at least 10 hours per week. The deals they do are often surprising. George planned to operate a coffee cart on campus but then graduated to local events. This led to his discovery of a market at music venues for flavored oxygen produced by a compressor that shot air through one or another of tubes of colored liquid. Concert goers sniffed the product for a minute or two as a pick-me-up. George got really turned on by his gross margin of 97%! Business was so good that it made the extremely anti-theoretical George forget his terror of macroeconomics. In that course that term he earned an A- and kudos from his prof.

Neal, a talented sculptor, discovered his true passion was breeding his own hybrid tropical fish. His business, “Forever Fish,” sells them and rents aquariums. Deborah and Joel worked intensely on an internet play for musicians and surprised everyone by finding $200,000 from an angel investor within weeks of graduation.

CELEB has two continuing businesses that operate under a succession of student directors. One is Gallery ABBA (for “art of business and business of art”) that retails student, faculty, and alumni art. Another is the WISE Foundation whose charge is to study the meaning of social excellence while learning about the foundations industry. Stella parlayed her “acting ownership” of ABBA into a job in a New York arts organization where she was one of 115 candidates. She was the only applicant already to have run her own gallery. Alec directed WISE and demonstrated sensational initiative by producing a video on business ethics featuring local and alumni entrepreneurs. The work distinguished his successful applications to top law schools.

CELEB also features fully equipped television and recording studios as well as four audio/visual post-production suites. Students have built businesses around these facilities, too. One group made commercial videos for the local professional baseball team. A record label, “Green Light Go,” produced and distributed two CD’s by campus artists. GLG’s founder went into marketing at EMI records in London. Another student started “Fair Enough Films.” With the help of 30 student volunteers, he produced an hour long feature, a detective story about a wayward German Professor who goes missing at a small liberal arts college.

The real story of CELEB is best told by these and other students who have had their adventures there.

**Selling Entrepreneurship and the Center to Colleagues**

It is a long way from benign neglect to modest enthusiasm and further still to full acceptance. We began with benign neglect, at the least, since I had tenure, the platform of the endowed chair, and some continuing financial support from Coleman. I sold my course as interdisciplinary, a good thing, and further advertised it as therapy for under-performing sophomores and juniors. Some students especially crave practical work and when given such outlets, do better in general. Colleagues liked this angle. When the Center started, I made the point that it offered “learning-by-doing,” also viewed as a good thing in some quarters.

 Some administrators feared active faculty opposition. A president conditioned his approval of the Center on demonstration of faculty support. I took the idea to the academic divisions for approval. That was a good thing to do.

Serious problems would have arisen if the program had apparent opportunity cost. But it was virtually self-funding. Alumni partners including another major donor provided enough in addition to Coleman to acquire and partially renovate the storefront buildings. Budget for operations came through smaller foundation grants and accumulated alumni contributions.. I would have accomplished nothing without this external support. My advice is to find an angel or two before you begin. Get them involved and committed to your program, too.

Virtually anything I could raise I directed to restricted endowment. Programs viewed as marginal to basic mission could not survive without endowment for staff, bricks and mortar, and money for operations. Whatever is in endowment vindicates future institutional contribution.

 I mostly pitched colleagues one-on-one. FI thought it wise to avoid too high a profile. I am also not good at internal marketing and promotion. But hammering individuals with my pitch on behalf of entrepreneurship may have had modest effect.

You might also remember as an entrepreneurship teacher, you are probably also a good career counselor. Colleagues will appreciate it if you work with their students. Be alert, also, when faculty may send you a student who is entrepreneurial (which may mean also a problem.)

 The Coleman Fellows program enabled me to recognize some especially helpful faculty. That program is a terrific help. I t helps to coax anybody to become an ally.

**Trends in Entrepreneurship Education**

Our meeting here today indicates one of the most significant trends. Entrepreneurship is starting to catch in in liberal arts colleges. Many of the better Ohio colleges, funded by the Burton Morgan Foundation, have started programs. Most of these are taking root in staff support offices rather than in the curriculum. ACM’s Chicago program is significant. Our institutions seem to be last to follow the boom that began in the early eighties.

 Entrepreneurship has always been a proselytizing movement. In my experience, those teaching entrepreneurship really care about students and are terrific teachers. They have tended to be cheerleaders for their subject. As the subject becomes more accepted, that aspect may be diminishing.

I think “Entrepreneurship across the curriculum” projects are going on all over.

 The junior colleges have a major expansion going on now. If you are shopping for grant money you might find a junior college to partner with.

There is also a trend towards entrepreneurship in the fine arts and, of course, media. Especially the small schools have noticed that artists, if they can live by their passion, usually must be independent business practitioners, as well.

**On Funding**

I think foundations are losing interest in entrepreneurship education start-ups. The subject has moved on and donors wish to fund next steps. It seems to me they and are much more precise about the exact projects they pay for. They are much more likely to care about assessment.Try to find foundations that, for some reason, love your institution.

 Many programs have received a large grant from a wealthy alumni entrepreneur who loves the school and who wants to buy a little immortality. Try to find such persons and figure out how to pitch them. There was a rush of such donors and programs in the ‘90’s. Maybe they have slowed. People in my development office who are skeptical of alumni interest challenge me frequently to name another small college that has received a major gift for entrepreneurship. When you do have nice restricted gifts, please let everybody know.

 E and technology programs abound in university programs. Money raised by university-level science and technology programs in entrepreneurship, I think, are staggering, by my standards. That trend does not do many of us much good. If you have entrepreneurially minded scientists, pursue them. Money for course development is at NCIIA, the National Collegiate Inventors and Innovators Association.

1. Joseph Schumpeter, Capitalism, Socialism, and Democracy, 3rd, Harper Torchbooks, 1950, p. 132 [↑](#footnote-ref-1)
2. Peter Drucker, “Schumpeter and Keynes,” Forbes, May 23, 1983, p.126 [↑](#footnote-ref-2)
3. The argument is that routinization of the innovative function diminishes the entrepreneur, limits his entry into the bourgeoisie, depriving that class of its energy and of its function. This process is one way that the success of capitalism is self-destructive. Ibid., pp. 132-135. [↑](#footnote-ref-3)
4. See, for example, Bhide, Amar, The Origin and Evolution of New Businesses, Oxford U. Press, 2000, and Shane, Scott, The Illusions of Entrepreneurship, Yale U. press, 2008. Drucker holds an opposite view: “innovation is the specific instrument of entrepreneurship,” Drucker, Peter, Innovation and Entrepreneurship, Harper Business, 1985, p. 30 and passim. [↑](#footnote-ref-4)
5. Stevenson, Roberts and Grousbeck, New Business Ventures and the Entrepreneur, 2nd ed., 1985, p.16. But the direct quote is not here but i9n a Harvard working paper called “Entrepreneurship: What it is and How to teach It.” I do not have the source at hand but the quote is repeated so often, it is probably public domain, anyway. [↑](#footnote-ref-5)
6. Sarasvathy, Saras D, Effectuation, Edward Elgar, 2008. [↑](#footnote-ref-6)