Entrepreneurship, Innovation and Economic Crisis

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Alicia Blanco-González
Editors

Entrepreneurship, Innovation and Economic Crisis

Lessons for Research, Policy and Practice

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Preface

This book presents, in the corresponding chapters, 18 original contributions related to entrepreneurship, innovation, and the economic crisis. There is a broad diversity of approaches but all the chapters directly or indirectly cover the three topics, either because the treatment of entrepreneurship includes innovation as does the literature, or because the process required to obtain innovation is a form of management that involves proactiveness and risk-taking (and consequently entrepreneurship); and as regards the economic crisis, because it is present in the 18 chapters as an deliberate object of research or as a research context whose results are applicable to the crisis.

Although entrepreneurship and innovation can be considered independent concepts for some research aims, they are closely linked (Lassen et al. 2006). Shane (2012: 15) states that the concept of entrepreneurship includes “the Schumpeterian (...) notion that entrepreneurs also exploit those potentially profitable opportunities by creatively recombining resources,” that is, by innovating. He goes on to say that “Entrepreneurship involves more than the (...) process of discovering opportunities for profit. It also involves coming up with a business idea about how to recombine resources to exploit those opportunities” (Ibid. 17–18).

Thus when an entrepreneur makes new combinations of factors, Covin and Slevin (1986, 1991) indicate that this form of entrepreneurship is characterized by innovativeness, proactiveness, and risk-taking, which broadly implies an orientation towards the development of new products and services, technologies, administrative techniques, new forms of organizational design and incentives, and new strategies. All of these innovations can be incremental or radical (Lassen et al. 2006; Robson et al. 2009) and are carried out in a complex context that involves “innovation, venturing and strategic renewal” (Zotto and Gustafsson 2008: 97).

While economic crises are permanently important in general economic studies of economic cycles (Kalecki 1968), business management and entrepreneurship become increasingly important in crisis situations and make innovation, with its varied technical or organizational aspects, a key component of success for private companies and the economy in general. However, the relationship between economic crisis and entrepreneurship is not well established in the literature. As Peris-Ortiz et al. state in the first chapter in this book, “[f]or some authors such as Filippetti

and Archibugi (2010) situations of weak growth, recession or stagnation of GDP, may promote discovery and innovation opportunities, while for others the economic slowdown adversely affects entrepreneurship, reducing opportunity discovery and innovation investment (Klapper and Love 2011). In a broad conception of entrepreneurs (Wennekers et al. 2005), it seems clear that the destruction of industry, typical of a slowdown or drop in GDP, implies a decrease in the number of entrepreneurs or in their activity. But this empirical finding concerns all the entrepreneurs that form the economic basis of a country, and does not distinguish how the canonical characteristics of entrepreneurs can moderate this general slowdown in entrepreneurial activity.”

Regardless of the difficulties for empirically establishing the relationship between entrepreneurship and economic crisis there is, however, no doubt about the advisability of entrepreneurship and innovation for overcoming crisis situations. Chapter 5 in this book shows that the positive relationship between innovation and performance tends to reinforce itself in times of crisis and fuels the way out of recession.

Finally, if, as we have argued above, entrepreneurship includes some form of innovation, most of the chapters in this book can be situated in some part or other of Shane and Venkataraman’s (2000) definition of the concept. According to Shane and Venkataraman (2000: 218) the study of entrepreneurship involves “the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them.” Sources of opportunities are found in a firm’s economic environment and/or in its capacity to achieve new combinations of factors that can produce technical or organizational innovations. The technical and legal framework for granting credit and possible improvements to it form part of external opportunities (Chap. 15).

Chapters 1 and 5 explicitly address the topics of entrepreneurship, innovation, and economic crisis. Chapters 4 and 18 deal with new combinations of factors that create opportunities based on strategic or organizational innovations. Chapter 4 proposes innovation in business to business markets based on the firm’s resources and capabilities (resource-based view) and customer retention; and the second assesses the advisability of integrating R&D activities, considering the relations between uncertainty, specificity assets, and risk of opportunistic behavior (Transaction Cost Economics). On the lines of Chap. 4, Chap. 7 takes a more general approach based on a firm’s core competencies and verifies whether competency-based management obtains better performance. Chapter 8 confirms the positive relationship between cooperative consumer-company behavior and level of trust; and Chap. 17 complements the research in Chap. 18 by examining the advisability of keeping R&D activities outside the company in a situation of economic crisis. Chapter 14 emphasizes the importance of achieving consumer confidence, as part of a customer relationship marketing (CRM) strategy, and evaluates the incorporation of the main elements of Transaction Controls Monitoring as organizational innovations that facilitate trust and customer retention. And Chap. 10 examines the advisability of the company applying unexploited potentialities to new product development (NPD) in response to the economic crisis.

The nine chapters mentioned in the above paragraph correspond, in Shane and Venkataraman's definition, to "the processes of discovery, evaluation, and exploitation of opportunities" and they refer explicitly to innovation or strategic and organizational changes that involve innovation. The economic crisis is always present in the research, either as the context of the research whose results are applicable to the crisis or as one of the research objectives.

Chapters 6, 13, and 16 correspond to the last part of Shane and Venkataraman's definition of entrepreneurship and, using different approaches to the individual entrepreneur, examine the relationship between risk and income for self-employed accountants in Germany (Chap. 13), analyze the profile of young entrepreneurs in Spain in a time of economic crisis in the health, beauty, and sports industries (Chap. 6), and in the same direction but with a more general approach, Chap. 16 looks at the profile of young entrepreneurs in Spain in a time of recession.

Finally, Chaps. 2, 3, 9, 11, and 12 refer to the determinants of entrepreneurial activity. Determinants may be external, such as a rural or urban location, or the existence of networks (Chap. 2); or the action of institutions providing flexible training, culture, and creativity related to certain industries (Chap. 11). Determinants may also be internal when they correspond to the entrepreneur's culture and values (Chap. 3), company capital, or the characteristic relationships in family firms (Chaps. 9 and 12).

Taken as a whole, we hope that these chapters will establish a broad useful overview of entrepreneurship, innovation, and crisis for academics, politicians, and entrepreneurs. The diverse approaches to the topics are one of the book's most significant contributions.

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