

## Theoretical Foundations for Entrepreneurship Development Program

Yam Bahadur Silwal<sup>1</sup>, Saroj Kumar Poudel<sup>2</sup>, Keshav Prasad Dahal<sup>3</sup>, Shekhar Thapaliya<sup>4</sup> & Barun Kumar Sah<sup>5</sup>

1. Associate Professor of Management, Makawanpur Multiple Campus, Hetauda  
[yamsilwal@gmail.com](mailto:yamsilwal@gmail.com)
2. Lecturer of Management, Makawanpur Multiple Campus, Hetauda  
[sarojpoudel1982@gmail.com](mailto:sarojpoudel1982@gmail.com)
3. Lecturer of Management, Makawanpur Multiple Campus, Hetauda  
[Keshavdahal80@gmail.com](mailto:Keshavdahal80@gmail.com)
4. Lecturer of Management, Makawanpur Multiple Campus, Hetauda  
[shekhar.thapaliya@gmail.com](mailto:shekhar.thapaliya@gmail.com)
5. Lecturer of Management, Makawanpur Multiple Campus, Hetauda  
[barunhed@gmail.com](mailto:barunhed@gmail.com)

### **Corresponding author:**

Yam Bahadur Silwal

[yamsilwal@gmail.com](mailto:yamsilwal@gmail.com)

Received: November 22, 2022; Revised & Accepted: December 24, 2022

Copyright: Silwal (2022)



This work is licensed under a [Creative Commons Attribution-Non Commercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

### **Abstract**

Entrepreneurship development is a process of converting an ordinary individual into an entrepreneur. The objective of this study is to examine theories of entrepreneurship development in order to gain a deeper understanding of the development of entrepreneurship. There are a number of entrepreneurship development theories existed in the scholarly field. The study identifies that entrepreneurship development theories are contextual and may not be applicable in all contexts. Some of the theories focus on psychological and knowledge aspects whereas some of them focus on skills, social network, institutional arrangement and support. A single theory has been found to be insufficient for the overall development of entrepreneurship. This study has included that mainly four theories: human capital theory of entrepreneurship development, institutional theory of entrepreneurship development, innovation theory of entrepreneurship development and social capital theory of

entrepreneurship development This consolidated form of four theories provides the knowledge, skills, abilities, and practices necessary for an individual to be prepared for entrepreneurship. Findings of this study will provide insights for those government, non-government and private institutions that are involved in the entrepreneurship development programs.

**Keywords:** Entrepreneurship development, human capital theory, institutional theory, innovation theory, social capital theory

## **1. Introduction**

A consistent universal theory does not exist in entrepreneurship, but rather it consists of several different approaches including psychology, sociology, anthropology, regional science and economics (Virtanen, 1997). Entrepreneurship can be understood in terms of various aspects. Numbers of theories have been developed to define entrepreneurship. Some of the theories of Entrepreneurship are Schumpeter's Theory of Innovation, Max Weber's Theory of Social Change (Emphasis on Impact of Religion), the Uncertainty-Bearing Theory of Knight, Theory of Frank Young (Emphasis on Changes in Group Level Pattern), Economic Theory of Entrepreneurship, Mark Casson Theory (Economic Theory), Kunkel's Theory (Emphasis on Entrepreneurial Supply), Hoselitz's Theory (Emphasis on Marginal Groups), Cochoran's Theory, E. E. Hagen's Theory (Emphasis on Withdrawal of Status Respect), Leibenstein's Theory (Emphasis on X-Efficiency), M. Kirzrier's View on Entrepreneurship, Baumol's View on Entrepreneurship, and Peter Drucker's View on Entrepreneurship (Mayuri, 2023). Among and besides those many entrepreneurship theories, the opportunity theory (Richard Cloward & Lloyd Ohlin), the psychological trait theory (David C. McClelland), the resource-based theory (Jay Barney), the network theory (Gordon Bower), and the cultural theory (Thomas Cochran) of entrepreneurship are being found in literature frequently.

Entrepreneurship is the process of creating, managing and growing a business venture, especially in the face of risk and uncertainty (Cantillon, 1755; Higgs, 1932). It involves identifying a business opportunity, assessing the potential for success, and then taking the necessary steps to turn the idea into a reality (Krizner, 1997). This can involve developing a business plan, securing funding, building a team, and managing the day-to-day operations of the business (Nepal, Silwal, Adhikari, Upadhyay, & Luitel, 2021). Entrepreneurship is related to drive, innovation, and willingness to take risks in order to achieve desired goals (Silwal & Manandhar, 2017).

Some trials to develop a multidimensional approach to entrepreneurship study have been made and the problem are to be arise from perspective of the above mentioned well-established disciplines (Johnson, 1990). Entrepreneurship is multidisciplinary and it contains various approaches or theories that can increase understanding of the field (Gartner, 1990). Researcher are continually striving to learn more about entrepreneurial process to better understand the driving forces within entrepreneurs (Bull & Willard, 1993). A theory of entrepreneurship is defined as a variable and logically coherent formulation of relationships, or underlying

principles that either explain entrepreneurship, predict entrepreneurial activity or provide normative guidelines (Phan, 2004). An entrepreneurial mind-set can be developed in individuals. Every person has the potential and free choice to pursue a career as an entrepreneur. Exactly what motivates individuals to make a choice for entrepreneurship has not been identified, at least not as one single event, characteristic, or trait (Kuratko & Hodgetts, 2009). Entrepreneurship development is process of transforming an individual into an entrepreneur. Entrepreneurship is a discipline, which means an individual can learn about it, and about how to be an effective entrepreneur. It is a myth that people are born entrepreneurs and that others cannot learn to become entrepreneurs according to Drucker, (1985) (Swanson, 2020).

This review paper mainly aimed to identifying entrepreneurship development theories that can be utilized consolidated form that would be more effective in practice.

## **2. Review of literature**

Most of the theories of entrepreneurship were primarily related to the risk bearing for profit. Efforts to develop entrepreneurship theory have tended to accumulate separate rather than cumulative theories (Fiet, 2000). The underpinning importance of entrepreneurship for economic development was first identified by Cantillon (1680's - 1734) who categorized the economic agents into landowners, employees and entrepreneurs. While the first and the second groups are passive, the entrepreneurs play the resource coordinating functions in addition to managing uncertainties (Abosedo & Onakoya, 2013). The historical evolution of ideas about the entrepreneur is a wide-ranging subject and one that can be organized in different ways; theorist by theorist, period by period, issue by issue and so forth. Entrepreneurship theories at particular areas that have been associated with uncertainty, innovation, economic efficiency, the theory of the firm, and economic development (Ricketts, 2009). Continuously, owning a small business (Risk Theory), being innovative (Dynamic Theory), acting as a leader (Traits School), or starting up a new company (Behavioral School) are main themes of entrepreneurship. It includes spotting opportunities to drive the market toward equilibrium (Austrian School) or causing disequilibrium through creative destruction and innovation (Schumpeter) (Gedeon, 2010). We can identify benefit from the knowledge of how pervasive entrepreneurship is throughout the economy. This view shows the relevance and importance of understanding the widespread effects of entrepreneurship (Brown & Thornton, 2013).

All theories and model of entrepreneurship may not effectively capture and reflect the actual behavior of entrepreneurs launching new ventures in a dynamic environment (Sarasvathy, 2001). Whereas emerging theories of entrepreneurship appear to be similar in many respects and provide a basis for identifying and developing new propositions focusing on the relationships between resources, entrepreneurial opportunities, action, solutions, communities, resource constraints, and creativity (Fisher, 2012). Institutions to support entrepreneurship

development, in the areas such as human, financial, organizational and technological resources (Hassan, 2020).

Entrepreneurial potential includes four main dimensions entrepreneurial motivations, psychological competencies, social competencies, and management competencies. These major competences, in turn, are constituted by eleven specific competences: desire for independence, economic motivation, entrepreneurial self-efficacy, vision, resource mobilization capacity, leadership capacity, innovation capacity, emotional intelligence, resilience, communication and persuasion capacity, and network development capacity (Curral, Santos, & Caetano, 2013). Another study found that institutional support helps to build attitudes, intentions and behaviors towards venture creation (Adelekan, Williamson, & Atiku, 2018). In the theory of entrepreneurship, different concepts are highlighted, they are close in content, do not contradict each other and can be used in different combinations to disclose the essence and evolution of entrepreneurship (Ivanova, Rudaleva, Gotsulyak, & Markova, 2018). Based on the above documents reviewed, mainly knowledge, skill, abilities and practices are seen prerequisites for entrepreneurship development. To identify theoretical foundation for entrepreneurship development program practicable and fruitful, following theories, the human capital theory of entrepreneurship development, the institutional theory of entrepreneurship development, the innovation theory of entrepreneurship development, and the social capital theory of entrepreneurship development are revisited below.

## **2.1 Theories of entrepreneurship development**

The advantages of having a theory of entrepreneurship are that it saves time and effort. With a theory, we will recognize what kinds of information are helpful. The theory will enable us to translate this raw information into usable data, and to process the data into categories and variables (Aparna, 2023). A good theory tells the user how things and events are related and the probable direction of causality. A theory tells the user the timing and sequencing of events. Some events occur before others, and these are leading indicators; others occur after, and these are lagging variables. When events happen at the same time, they are concurrent (Dollinger, 2008). The theories attempt to explain how entrepreneurship can be fostered and supported in order to promote economic growth and development are being presented. Several theories of entrepreneurship development that have been proposed by academicians and practitioners in the field have been reviewed here.

**2.1.1 The human capital theory of entrepreneurship development** This theory suggests that investing in the education and training of individuals can lead to an increase in entrepreneurship and economic development. Furthermore, this theory stresses that increasing the human capital of a population, through entrepreneurship education and training programs, can lead to an increase in the number of individuals who are able and willing to start and grow ventures. The effect of entrepreneurship education on entrepreneurial skills development can be seen as technical skills, business management skills and personal entrepreneurial and these skills are

affected by the level of entrepreneurship education (Almahry, Sarea, & Hamdan, 2018). Entrepreneurship can be developed in individuals through different ways. Training and development programs, vocational education and higher education, etc. have been considered as entrepreneurship development methods that practicing massively (Nepal & Silwal, 2019).

### **2.1.2 The institutional theory of entrepreneurship development**

This theory suggests that the legal, regulatory, and economic institutions of a society can influence entrepreneurship development. Creating an environment that is conducive to entrepreneurship, through activities such as the development of legal and regulatory framework, can lead to an increase in the number of individuals who start and grow businesses. The institutional factors impacting entrepreneurial efforts include the direct action of governments in constructing and maintaining an environment supportive of entrepreneurship as well as societal norms toward entrepreneurship. Specifically, the level of entrepreneurship that develops in a society is directly related to the society's regulations and policies governing the allocation of rewards (Baumol, Litan, & Schramm, 2009). Entrepreneurship Development has, therefore, become a matter of great concern in all developing and under developed countries all over the world. It refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programs (Hisrich, Peter, & Shepherd, 2007).

### **2. 1.3 The innovation theory of entrepreneurship development**

This theory proposes that promoting innovation and encouraging the adoption of new technologies can lead to an increase in entrepreneurship. Schumpeter (1934) proposed this concept with the main theme of five innovative areas new product, novel methods or processes of production, new source of supply of raw materials, innovation in management or reorganization of an industry (Schumpeter, 1943). Entrepreneurship development related government and non-government agencies can invest for the purpose of innovation and they may also purchase innovations. According to this theory, supporting innovation through access to new technologies can lead to the creation of new businesses and industries.

### **2. 1. 4 The social capital theory of entrepreneurship**

This theory proposes that the social networks and relationships within a society can influence an individual for entrepreneurship development. This theory further suggests that promotion of the development of social capital through activities such as networking events and mentorship programs, can lead to an increase in the number of individuals who are able and willing to start and grow businesses. Networks are useful tools for gaining access to resources has emerged (Walker, Kogut, & Shan, 1997). They further identified that networks may act as substitutes for investment capital. Private information flows over networks that can only be accessed through social interactions. An entrepreneur's ability to recognize opportunities is largely related their ability to access private information in social networks. Network resources, networking activities and network support are heavily used to establish new firms. Further,

those entrepreneurs who can refer to a broad and diverse social network and who receive much support from their network are more successful (Bruderl & Preisendorfer, 1998). Empirical studies examine whether individuals with more structurally diverse networks are more likely to encounter opportunities that can be seized through new venture creation (Greve & Salaff, 2003).

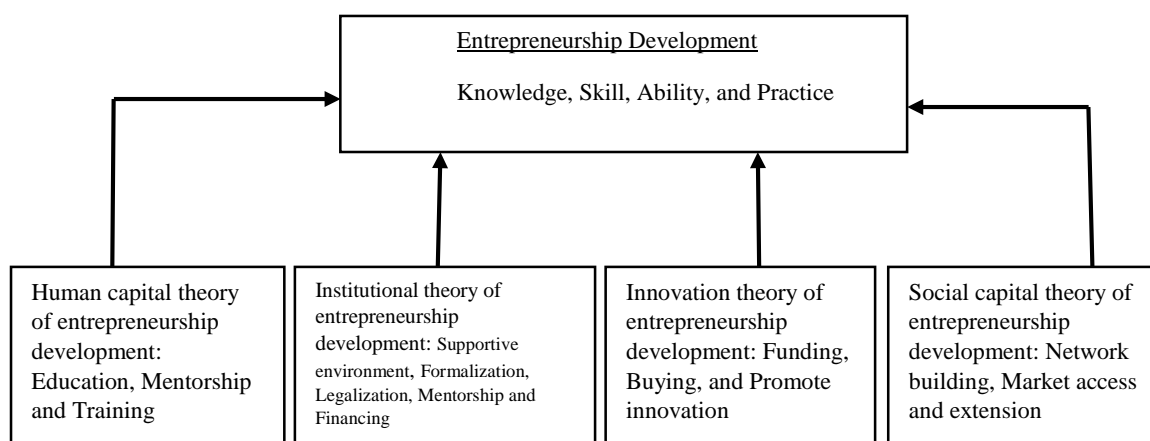
### **3. Method and Materials**

This review article is based on the secondary qualitative data that have been garnered from journal articles and books related to the theories of entrepreneurship development.

### **4. Result and Discussion**

In the entrepreneurship development context, the knowledge, skills and abilities relate to building the capacity to successfully create new means-ends frameworks (Sarasvathy, 2001). All those above mentioned theories of entrepreneurship development are not enough to gain entrepreneurship development program successful by following unilaterally. It is because the human capital theory of entrepreneurship focused on knowledge and skills, whereas less priorities in practice. Institutional theory pay attention to the formalization, legal frame work, regulatory and conducive environment creation for entrepreneurship development in macro level but it creates a lengthy process and ineffectiveness (Tolbert, David, & Sine, 2011). Innovation theory of entrepreneurship development suggests innovating new product, process, market, raw materials and organization in individual level, whereas the social capital theory of entrepreneurship intents more on social network building. Each theory of entrepreneurship gives priority to a specific aspect of entrepreneurship but another major aspect may remain isolated. Establishing an enterprise is a long process from idea for the establishment and growth in the market. The process often requires experience, network, capital and competence (The Ministry of Education and Research, the Ministry of Local Government and Regional Development and the Minister of Trade and Industry, 2023). Entrepreneurial skills center around attitudes (soft skills), such as persistence, networking and self-confidence on the one hand and enabling skills (hard skills) on the other hand, including basic start-up knowledge, business planning, financial literacy and managerial skills. The aim is not only to strengthen the capacity and desire of more individuals to start their own enterprises, but also to develop an entrepreneurial culture in society (United Nations Conference on Trade and Development, 2023). So in order to make efficient entrepreneurship development programs, integrated theoretical backing may be applied.





**Figure 1. Theoretical back up for entrepreneurship development**

## 5. Conclusion

Entrepreneurship development theories provide us proper guidelines to build and enhance knowledge, skill, abilities and practices. There are numerous theories that have been developed to define entrepreneurship. It is challenging to identify a single, appropriate theory of entrepreneurship. So, entrepreneurship is a multidiscipline aspect. This study draws a conclusion that a single entrepreneurship development theory has found to be insufficient insights for overall development of entrepreneurship. To fill the gap in entrepreneurship development theory, it is beneficial to simultaneously apply four complementary theories: the human capital theory of entrepreneurship development, the institutional theory of entrepreneurship development, the innovation theory of entrepreneurship development, and the social capital theory of entrepreneurship development. Application of these theories synergistically produces entrepreneurial knowledge, skills, abilities and practices in an individual to be an entrepreneur. This consolidated form of four theories is helpful to enhance knowledge, skills, abilities and practices in an individual to make a person ready for entrepreneurship. Findings of this study will provide some basic guidelines to those government, non-government and private institutions that are engaged in the entrepreneurship development programs.

## **References**

- Abosedo, A. J., & Onakoya, A. B. (2013, September 6). Intellectual entrepreneurship: theories, purpose and challenges. *International Journal of Business Administration*, 4(5), 30-37. doi:10.5430/ijba.v4n5p30
- Adelekan, S. D., Williamson, M., & Atiku, S. O. (2018, April). Influence of social entrepreneurship pedagogical initiatives on students' attitudes and behaviours. *Journal of Business and Retail Management Research*, 12(3), 168-177.
- Almahry, F. F., Sarea, A. M., & Hamdan, A. M. (2018). A review paper on entrepreneurship education and entrepreneurs' skills. *Journal of Entrepreneurship Education*, 21(25).
- Aparna, J. (2023). *Theories of entrepreneurship*. Retrieved January 3, 2023, from [www.economicdiscussion.net](http://www.economicdiscussion.net): <https://www.economicdiscussion.net/entrepreneurship/theories-of-entrepreneurship/31823>
- Baumol, W., Litan, R., & Schramm, C. (2009). *Good capitalism, bad capitalism, and the economics of growth and prosperity*. New Haven: Yale University Press.
- Brown, C., & Thornton, M. (2013). How entrepreneurship theory created economics. *The Quarterly Journal of Austrian Economics*, 16(4), 401-420.
- Bruderl, J., & Preisendorfer, P. (1998). Network support and the success of newly founded business. *Small business economics*, 10(3), 213-225.
- Bull, I., & Willard, G. E. (1993, May). Towards a theory of entrepreneurship. *Journal of Business Venturing*, 8, 183-196.
- Cantillon, R. (1755). Essai sur la nature du commerce en général. In C. Saucier, & M. Thornton (Ed.), *An eassay on economic theory, An English translation of Richard Cantillon's Essai sur la Nature du Commerce en Général* (pp. 21-241). Mises Institute .
- Currall, L., Santos, S. C., & Caetano, A. (2013). Theoretical foundations on the entrepreneurial potential. *Amity Business Journal*, 1-11.
- Dollinger, M. J. (2008). *Entrepreneurship: strategies and resources* (Fourth ed.). Lombard, Illinois: Marsh Publications. Retrieved 2023
- Fiet, J. O. (2000). The theoretical side of teaching entrepreneurship. *Journal of Business Venturing*, 16, 1-24.
- Fisher, G. (2012, September 1). Effectuation, causation, and bricolage: A behavioral comparison of emerging theories in entrepreneurship research. *Entrepreneurship Theory and Practice*, 36(5), 1019-1051. doi:<https://doi.org/10.1111/j.1540-6520.2012.00537.x>
- Gartner, W. B. (1990, January). What are we talking about when we talk about entrepreneurship. *Journal of Business Venturing*, 15-28.
- Gedeon, S. (2010). What is entrepreneurship? *Entrepreneurial Practice Review*, 1(3), 16-35.
- Greve, A., & Salaff, J. (2003). Social networks and entrepreneurship. *Entrepreneurship theory and practice*, 28(1), 1-22.



- Hassan, N. A. (2020, May). University business incubators as a tool for accelerating entrepreneurship: theoretical perspective. *Review of Economics and Political Science*. doi:10.1108/REPS-10-2019-0142
- Higgs, H. (1932, March). Essai sur la nature du commerce en général by Richard Cantillon, Henry Higgs. *The Economic Journal*, 42(165), 6163. doi:<https://doi.org/10.2307/2223737>
- Hisrich, R. D., Peter, M. P., & Shepherd, D. (2007). *Entrepreneurship*. New Delhi: TaTa McGraw Hill.
- Ivanova, N., Rudaleva, I., Gotsulyak, I., & Markova, S. (2018). Environmental entrepreneurship: theoretical aspects, development prospects in organic agriculture. *Advances in Economics, Business and Management Research*, 61, 296-301.
- Johnson, B. (1990). Toward a multidimensional model of entrepreneurship: the case of achievement motivation and the entrepreneur. *Entrepreneurship, Theory and Practice*, 14(3), 39-54.
- Krizner, I. (1997). *Journal of Economic Literature*, 35, 60-85.
- Kuratko, D. F., & Hodgetts, R. M. (2009). *Entrepreneurship in the New Millennium* (Indian Edition ed.). New Delhi: South-Western, Cengage Learning.
- Mayuri, H. (2023, January 1). *businessmanagementidea.com*. Retrieved from Business Management Ideas: <https://www.businessmanagementideas.com/entrepreneurship-2/theories-of-entrepreneurship/top-14-theories-of-entrepreneurship-with-criticisms/18198>
- Nepal, B., & Silwal, Y. B. (2019). University level entrepreneurship development curriculum towards entrepreneurial intention on students in Nepal. *International Research Journal of Management Sociology & Humanities*, 10(9), 268-281.
- Nepal, B., Silwal, Y. B., Adhikari, R. P., Upadhyay, S. P., & Luitel, C. P. (2021). Role of school level curriculum toward development of entrepreneurial Intention of student: A cross sectional study in Bagmati province, Nepal. *International Journal of Management*, 8(4), 1-16. doi:<https://doi.org/10.34293/management.v8i4.3729>
- Phan, P. H. (2004, September). Entrepreneurship theory: Possibilities and future directions. *Journal of Business Venturing*, 19(5), 617-620.
- Ricketts, M. (2009). Theories of Entrepreneurship: Historical Development and Critical Assessment. In *The Oxford Handbook of Entrepreneurship* (pp. 1-18). doi:10.1093/oxfordhb/9780199546992.003.0002
- Sarasvathy, S. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26, 243-263.
- Sarasvathy, S. (2001). Causation and effectuation: Towards a theoretical shift from economic inevitability to entrepreneurial contingency. *Academy of Management Review*, 26(2), 243-288.
- Schumpeter, J. A. (1943). *Capitalism, Socialism & Democracy*. (R. Swedberg, Ed.) George Allen & Unwin.

- Silwal, Y. B., & Manandhar, K. D. (2017, April). Entrepreneurship qualities of member of chamber of commerce and industries (CCI) of Nepal. *Journal of Advanced Academic Research*, 4(1), 89-98.
- Swanson, L. A. (2020, November 24). *LibreTexts Business*. Retrieved December 30, 2022, from [https://biz.libretexts.org/Bookshelves/Business/Entrepreneurship/Book%3A\\_Entrepreneurship\\_and\\_Innovation\\_Toolkit\\_\(Swanson\)/01%3A\\_Chapters/1.01%3A\\_Chapter\\_1\\_\\_Introduction\\_to\\_Entrepreneurship](https://biz.libretexts.org/Bookshelves/Business/Entrepreneurship/Book%3A_Entrepreneurship_and_Innovation_Toolkit_(Swanson)/01%3A_Chapters/1.01%3A_Chapter_1__Introduction_to_Entrepreneurship)
- The Ministry of Education and Research, the Ministry of Local Government and Regional Development and the Minister of Trade and Industry. (2023, January 2). *Entrepreneurship in Education and Training*. Retrieved from [www.regjeringen.no](http://www.regjeringen.no): <https://www.regjeringen.no/globalassets/documents/action-plan-for-entrepreneurship-in-education-and-training-2009.pdf>
- Tolbert, P. S., David, R. J., & Sine, W. D. (2011). Studying choice and change: The intersection of institutional theory and entrepreneurship research. *Organization Science*, 22(5), 1332-1344. doi:<http://dx.doi.org/10.1287/orsc.1100.0601>
- United Nations Conference on Trade and Development. (2023, January 2). *Enhancing Entrepreneurship Education and Skills Development*. Retrieved from [www.untad.org](http://www.untad.org): <https://unctad.org/topic/enterprise-development/entrepreneurship-policy-hub/3-Skills-Development>
- Virtanen, M. (1997). The role of different theories in explaining entrepreneurship. *Entrepreneurship: The Engine of Global Economic Development* (pp. 1-17). San Francisco: International Council for Small Business.
- Walker, G., Kogut, B., & Shan, W. (1997). Social capital, structural holes and the formation of an industry network. *Organization science*, 8(2), 109-125.