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Entrepreneurship: The Act of Enhancing One's Reality

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Entrepreneurship: The Act of Enhancing One's Reality

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Abstract:

In the research field of entrepreneurship there has not yet been a consensus on the most appropriate definition and conceptual framework of entrepreneurship. This paper aims to fill this persistent gap in entrepreneurship research. The conceptual framework and definition proposed in this paper, "The Act of Enhancing One's Reality", unifies the trait approach and the behavioural approach used by entrepreneurship scholars. It forges a link between entrepreneurship research and other social sciences, rendering Maslow's hierarchy of needs empirically testable. It sheds light on how opportunities come into existence as well as how they are recognized. It provides insight into the relation between micro-level entrepreneurial action and macro-level economic growth. And finally, it creates the unique interdisciplinary domain of reality enhancement for the research field of entrepreneurship.

The new definition and conceptual framework proposed in this paper is consistent with the critique, insights and results yielded from past research on entrepreneurship and it shows promise that it is indeed possible to foster the successful and innovative kind of entrepreneurship that promotes economic growth. Moreover, it is able to provide consistent explanations to questions past entrepreneurship research had sought to answer. But most importantly, the proposed definition and conceptual framework of entrepreneurship is universal in its applicability for scholars from a wide variety of disciplines, for policymakers of advanced economies as well as policymakers of developing economies.

Entrepreneurship is not only limited to the realm of economics nor limited to the start up of firms and profit making. Entrepreneurship, as defined in this paper, is the very essence of our being. From the first handmade fires to the nuclear power plants of today, from Icarus' wings to men on the moon, the progress we have made as humankind and our very existence as we know it today is the result of the ever continuing accumulation of entrepreneurial action. The proposed definition and conceptual framework of entrepreneurship offers insight into the progress we have made in the past, the progress we can make now and the progress we as one people are still able to make in the future.

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1. Introduction

Every great tree once started out as a small seed, but not every small seed will grow and become a great tree. Whether a small seed may one day blossom into a fruit bearing tree is wholly determined by nature. The nature of the seed determines what kind of tree it will become. The nature of the soil and overall environment the seed is planted in will then determine its chances to germinate, grow, prosper and bear fruit.

The same reasoning applies to entrepreneurship. Every successful large corporation we know today once started out as a small organization founded by an individual or a group of individuals, but not every small organization will grow and become a successful large corporation. What then determines whether an individual becomes an entrepreneur or stays put where he is? If the individual decides to become an entrepreneur, what then determines whether the young entrepreneur will grow and become a successful entrepreneur? When horticulture research can lead to an enhanced crop yield, cannot entrepreneurship research lead to more and increasingly successful entrepreneurs? When we have an understanding of all the intricate processes that encompass entrepreneurship, is it then possible to provide a guide to, maybe recreate or perhaps even create successful entrepreneurship? Before even venturing into the realm of providing a guide to, let alone create, successful entrepreneurship, first a thorough understanding of entrepreneurship is required.

Where are we now (in entrepreneurship research)?

More than two hundred years ago Jean-Baptiste Say coined the term “entrepreneur”, but till this day there is an ongoing discussion of who this entrepreneur is and what the definition is of entrepreneurship (Drucker, 1985, [p.19](#)). Gartner (1988) quotes Cole to illustrate the elusive nature of a common definition for the entrepreneur:

My own personal experience was that for ten years we ran a research center in entrepreneurial history, for ten years we tried to define the entrepreneur. We never succeeded. Each of us had some notion of it — what he thought was, for his purposes, a useful definition. And I don't think you're going to get farther than that. (Cole, 1969, p.17)

In his article, that is aptly titled “‘Who is an Entrepreneur?’ Is the wrong question”, Gartner comments that sixteen years since Cole's statement the elusive definition of the entrepreneur is still at large. Past research on entrepreneurship was primarily focused on the

individual and the question “why does one individual start firms, while another individual under similar conditions does not”. Asking “Why?” has led to the long asked question of “who is an entrepreneur?” (Gartner, 1988). Gartner labeled this search for the traits and characteristics of entrepreneurs *the trait approach*. He argued that the trait approach alone is inadequate to explain the phenomenon of entrepreneurship and that another approach is needed for a more productive research into entrepreneurship; he subsequently introduced *the behavioural approach*. The focus of research in the behavioural approach is on the organization as a whole. The individual is viewed in terms of the activities he undertakes to bring the organization into existence. *The behavioural approach* therefore focuses on what the entrepreneur does (to bring the organization into existence) as opposed to *the trait approach* which focuses on who the entrepreneur is (his traits and characteristics). In his article Gartner does not offer “entrepreneurship is the creation of new organizations” as the new definition of entrepreneurship. It is rather an attempt to refocus entrepreneurship research on the process of how a new organization comes into existence as a new approach to study, understand and uncover new insights into the phenomenon that is entrepreneurship (Gartner, 1998)

More recently in the article “Who is an entrepreneur?” Is it still the wrong question?, McKenzie et al. (2007) have not found, eighteen years after Gartner’s article, that the shift in research focus has produced agreement on the most appropriate definition of entrepreneurship. Besides “the larger challenge of linking entrepreneurship research to the rest of the social sciences”, McKenzie et al. quotes Low’s suggestion to illustrate even more challenges that still lie ahead:

Providing insight into the link between micro-level entrepreneurial action and macro-level economic progress is a potentially huge intellectual contribution of our field (Low, 2001, p.20).

To meet these challenges, McKenzie et al. offered a new definition of entrepreneurship, a definition that brings the focus of research back to the level of the individual. They call for “a more inclusive definition of entrepreneurship, suggesting a broad definition: ‘Entrepreneurship involves individuals and groups of individuals seeking and exploiting economic opportunity’” (McKenzie et al., 2007). Under their definition entrepreneurship is a process that is influenced by opportunities in the environment, and individuals or groups of individuals who seek and exploit these opportunities. The main finding and point of critique by McKenzie et al. is that when entrepreneurship study is

focused on the creation of new organizations, innovative and economical successful opportunity exploitation that does not constitute a new organization is excluded from research and not considered entrepreneurship, while a new organization that is neither very innovative nor very successful is considered entrepreneurship. McKenzie et al. further note that with a broader definition of entrepreneurship as the one they propose it would be possible to capture and study successful opportunity exploitation, which would likely lead to new insights into the phenomenon that is entrepreneurship (McKenzie et al., 2007).

In the past, scholars have thus focused mainly on two different approaches to investigate and explain entrepreneurship: the trait approach (who is the entrepreneur?) and the behavioural approach (what does an entrepreneur do to bring the organization into existence?). Yet neither one of these approaches on their own produced a satisfying definition or explanation of the phenomenon that is entrepreneurship. More recently, McKenzie et al. (2007) suggest a broader definition of entrepreneurship to include opportunity exploitation in order to further our understanding of the phenomenon of entrepreneurship. This is where we are now in entrepreneurship research on defining the entrepreneur.

The aim and structure of this paper

Although past entrepreneurship research has contributed significantly to our understanding of entrepreneurship, to the point that governments all over the world acknowledge the importance of the entrepreneur as an innovator who contributes to society by promoting economic development (Van Praag 1999), there has not yet been a consensus on the most appropriate definition for entrepreneurship or what entrepreneurship exactly is. Policy measures have been developed and continue to be developed that aim at promoting entrepreneurship, but the most important question “What is entrepreneurship and its determinants?” has not been satisfactorily answered yet. Shane and Venkataraman (2000) further note that the scientific field of entrepreneurship has lacked a conceptual framework that explains and predicts a unique set of empirical phenomena that has not yet been explained or predicted by conceptual frameworks in other scientific fields.

In an attempt to fill this rather persistent gap in entrepreneurship research and in order to further our understanding of the phenomenon that is entrepreneurship, this paper will offer a new definition and conceptual framework of entrepreneurship for consideration. The new definition and conceptual framework of entrepreneurship proposed in this paper is consistent with the critique, insights and results yielded from past research on entrepreneurship and it shows promise that it is indeed possible to foster the successful and innovative kind of

entrepreneurship that promotes economic growth. Moreover, the proposed conceptual framework of entrepreneurship is able to provide consistent explanations to questions past entrepreneurship research had sought to answer. But most importantly, the proposed definition and conceptual framework of entrepreneurship is universal in its applicability for scholars from a wide variety of disciplines, for policymakers of advanced economies as well as policymakers of developing economies. For business owners who seek to take their company to the next level or any other person who seeks to take his life to the next level.

Entrepreneurship is not only limited to the realm of economics nor limited to the start up of firms and profit making. Entrepreneurship, as defined in this paper, is the very essence of humankind. From the first handmade fires to the nuclear power plants of today, from Icarus' wings to men on the moon, the progress we have made as humankind and our very existence as we know it today is the result of the ever continuing accumulation of entrepreneurial action. The proposed definition and conceptual framework of entrepreneurship offers insight into the progress we have made in the past, the progress we can make now and the progress we as one people are still able to make in the future.

The proposed conceptual framework and definition of entrepreneurship, “*the act of enhancing one's reality*”, consists of three separate core components each governed by their own discipline, which are: History, Psychology and Economics. The aim of this paper is to present and demonstrate the consistency, applicability, explaining power and overall fit of the proposed definition and conceptual framework amidst current entrepreneurship research. This is done by examining and discussing each of the three core components of the proposed definition of entrepreneurship. The focus of this conceptual paper will be on the entire breadth of the phenomenon entrepreneurship itself rather than focusing in depth on any particular topic of entrepreneurship research. The author of this paper acknowledges however that a satisfactory definition and conceptual framework of entrepreneurship *should* provide consistent explanations to *all* questions. It is unfortunately well beyond the scope of any paper to address all questions posed in past research, but nonetheless, in order to demonstrate the extent of applicability of the new definition and conceptual framework, this paper will address five major goals that a satisfactory definition and conceptual framework of entrepreneurship should seek to accomplish.

First, a satisfactory definition and conceptual framework of entrepreneurship should seek to forge a link between the trait approach and the behavioural approach (Shane and Venkataraman, 2000). *Second*, it should seek to provide a link between entrepreneurship research and other social sciences (McKenzie et al., 2007). *Third*, it should seek to offer

insight into how opportunities come into existence as well as how they are recognized (Shane and Venkataraman, 2000; McKenzie et al., 2007). *Fourth*, it should seek to provide “insight into the link between micro-level entrepreneurial action and macro-level economic progress” (Low, 2001, p.21). *Fifth*, a satisfactory definition and conceptual framework of entrepreneurship should seek to create a unique domain for entrepreneurship upon which future entrepreneurship research can built and focus on (Shane and Venkataraman, 2000). After examining and discussing the three core components of the proposed definition of entrepreneurship, this paper will evaluate in the conclusion how well the proposed definition and conceptual framework of entrepreneurship were able to meet these goals. This paper will further be structured as follows.

In *section 2* the methodology behind the development of the proposed definition and conceptual framework will be discussed. The new definition and conceptual framework of entrepreneurship will then be presented as well as the implications that come with the new definition of entrepreneurship. The proposed definition of entrepreneurship, “*the act of enhancing one’s reality*”, consists of three separate core components each governed by their own discipline. *Section 3* will feature the first core component of the proposed definition of entrepreneurship. The first core component “*one’s reality*” is governed by the discipline *history*. There exists the micro-level reality of the individual and there exists the macro-level reality of the country the individual is in. In this section the importance of the historical aspect of entrepreneurship will be examined, first on the macro-level of the country and then on the micro-level of the individual. *Section 4* will feature the second core component of the proposed definition of entrepreneurship. The second core component “*to enhance*” is governed by the discipline *psychology*. A theory of entrepreneurial motivation will be developed based on Maslow’s hierarchy of needs (1943). A hierarchy of entrepreneurship will then be proposed and its overall fit in entrepreneurship research will be evaluated. *Section 5* will feature the third and final core component of the proposed definition of entrepreneurship. The third core component “*the act*” is governed by the discipline *economics*. First we will investigate what exactly constitutes an “act of reality enhancement”. Then the economical aspect of entrepreneurship on the micro-level will be explored: why does one individual decide to act on his entrepreneurial motivation to enhance his reality while another individual does not? Finally the economical aspect of entrepreneurship on the macro-level will be discussed: how does the new definition and conceptual framework of entrepreneurship relate to macro economic growth? *Section 6* concludes with an evaluation of how well the proposed definition and conceptual framework of entrepreneurship were able to meet the five major

goals a satisfactory definition and conceptual framework of entrepreneurship should seek to accomplish.

2. Definition and conceptual framework of entrepreneurship

In this section the definition and conceptual framework of entrepreneurship that is the focus of this paper will be presented. In *section 2.1* a conceptual framework will be developed for entrepreneurship based on the commonalities and similarities of past entrepreneurship research. The new definition and conceptual framework of entrepreneurship will be presented in *section 2.2*. *Section 2.3* concludes with the presentation of ten implications that come with the proposed definition of entrepreneurship.

2.1 Methodology

“Intuitive seizing of what is relevant in the wide set of facts leads the scientist to defining a basic law or a number of such laws. Then he draws conclusions, as complete as possible, from this basic law (a system of axioms) in a purely logical and deductive way. The basic law (axiom) together with the conclusions create what we can call a theory.” (Einstein, 1919)¹

Developing a conceptual framework for entrepreneurship

Upon studying the literature on entrepreneurship commonalities and similarities in thoughts, insights and results can be found. A commonality research on entrepreneurship seems to share is that there is an individual and an organization. So reduced to its core entrepreneurship seems to consist of two components: the individual and the organization. As noted in the introduction, past research has mainly focused on two different approaches to study the phenomenon entrepreneurship. The first approach, the trait approach centred on the question ‘who is the entrepreneur’. The trait approach mainly studied the core component ‘the individual’ in order to explain entrepreneurship. The second approach, the behavioural approach centred on the question ‘What does an entrepreneur do to bring the organization into existence’. The behavioural approach mainly studied the core component ‘the organization’ in order to explain entrepreneurship. Each one of these two approaches mainly studied but one core component of entrepreneurship and with that one component sought to provide an explanation to the whole phenomenon that is entrepreneurship. In order to have a full

¹ From “Albert Einstein’s Hypothesis”, how Albert Einstein’s thoughts on methodology are similar to and preceded Karl Popper’s “Logic of Scientific Discovery” (Kostro, 1998).

understanding of entrepreneurship however, it is necessary to study entrepreneurship in its entirety. Without the entrepreneur there is no organization and without an organization to act in the individual would not be an entrepreneur. Therefore the two components cannot be seen separately when studying entrepreneurship. Both components, the individual *and* the organization, must always be taken into account when studying entrepreneurship in order to arrive at a satisfying definition and explanation of entrepreneurship and its effects.

When the two core components of entrepreneurship, the individual and the organization, are viewed together, a third core component will naturally appear, namely **motivation**. Why does an individual start an organization? Why not become or remain an employee? In other words, what is the motivation underlying the behaviour of the individual? *Motivation, the third core component of entrepreneurship* will therefore provide the link between the first two core components. Motivation will provide the link between the individual and the organization. Figure 1 displays the relation of these three core components to one another.

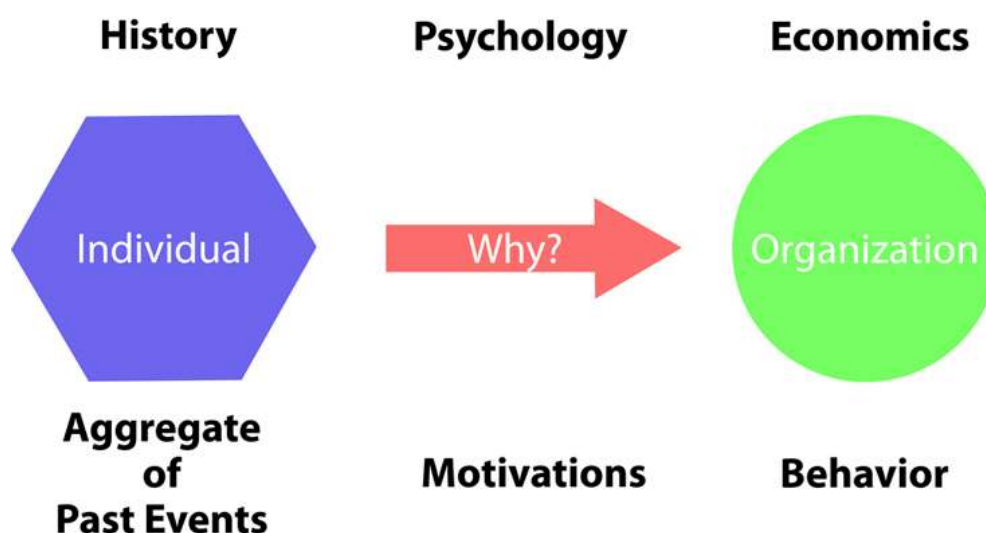


Figure 1 – Conceptual framework step 1

As can be seen in figure 1, each core component of entrepreneurship is governed by its own discipline. The core component ‘the individual’ is governed by the discipline ‘History’. The core component ‘the motivation’ is governed by the discipline ‘Psychology’. Finally, the core component ‘the organization’ is governed by the discipline ‘Economics’. These three disciplines are indispensable and readily emerge when studying entrepreneurship, whether it is on the micro-level of the individual or on the macro-level of the contribution of entrepreneurship to the economic growth of a nation.

On the micro-level, studying *history*, the aggregate of past events of an individual, will grant us information to the very origins of the economic reality the individual is in now. It grants us valuable information about the tools available to the individual with which he operates and the base from which he acts. Studying *economics* will grant us information on how the individual perceives the economic climate he is in. It grants us valuable information about the possible actions an individual can take. Finally, studying *psychology* grants us insight into the underlying motivations of actions undertaken by the individual. It grants us valuable information about how and why an individual acts the way he does.

On the macro-level, studying *history*, the aggregate of past events of a country, grants us information to the very origins of the economic reality a country is in now. It grants us valuable information about the economic development of a country as well as the economic climate its citizens have to operate in. Studying *economics* will grant us information on how the country perceives the economic climate it is in. It grants us valuable information about the possible actions the country can take. Finally, studying *psychology* grants us insight into the underlying motivations of actions undertaken in a country. It grants us valuable information about how and why a country acts the way it does.

Studying *history* can be seen as determining the nature, capacity and potential of the individual and the country, the base which they act from. Studying *economics* can be seen as determining the possible courses of action and the costs and benefits of these actions, while studying *psychology* provides the link between the individual or country and their actions. Studying psychology gives insight into the question “How and why does a person or country chose to act in a certain way in a particular situation”.

Developing a definition for entrepreneurship

The conceptual framework for entrepreneurship developed thus far, and displayed in figure 1, is based on the commonality in past entrepreneurship research that there is an individual and an organization. Besides this commonality, similarities in insights and results can be found in past entrepreneurship research. Van Praag (1999) notes the importance of the role of the entrepreneur in society: “Entrepreneurs are held responsible for economic development by introducing and implementing innovative ideas”. Van Praag’s paper aimed at finding determinants of successful entrepreneurship by reviewing classic contributions to the theory of entrepreneurship. She notes that Alfred Marshall (1877-1959) considered the enormous benefits that entrepreneurs confer to society through their actions, while Joseph Schumpeter (1883-1995) stressed the role of the entrepreneur as an innovator, describing a

world without entrepreneurs as a static world without change where everyday is a repetition of the day before. To this day, these two views of the entrepreneur are still supported by economists, behavioural practitioners as well as politicians; the entrepreneur as an innovator who contributes to society by promoting economic development (Van Praag, 1999).

When these two views of the entrepreneur are taken into consideration it becomes clear that the conceptual framework of figure 1 demands augmenting. Not every organization is an innovative one and not every organization contributes to society by promoting economic development (e.g. Microsoft as opposed to a local grocery shop). It is also true that there are individuals who display entrepreneurial qualities without being the founder and owner of a firm (e.g. Leonardo da Vinci). These individuals, like managers who make an innovative, economic development promoting contribution to society, are not captured and are therefore not subject to study when the definition of entrepreneurship requires the start-up of a new firm.

Under the current definitions of entrepreneurship the quantity of entrepreneurship may be measured through the measurement of start-ups, but is not the quality, the innovativeness and growth promoting aspect of entrepreneurship more important? We may know how many entrepreneurs there are, but is it not what the entrepreneur does and means for society, that which we really want to know?

2.2. Proposal: Definition and conceptual framework of entrepreneurship

Based on the preliminary conceptual framework of entrepreneurship of figure 1, based on that which we all share and that which we all need and based on the commonalities and similarities in critique, insights and results in past research on entrepreneurship (Van Praag and Versloot, 2007), the author of this paper has developed and proposes a new definition and conceptual framework of entrepreneurship. The definition of entrepreneurship this paper proposes is universal. It applies both to the micro-economic level of the individual as well as the macro-economic level of the nation and even the world. The proposed definition of entrepreneurship applies to the very poor to the very rich, the highly educated to the non-educated. It applies to all individuals of all nations at all times, past, present and future. This definition of entrepreneurship cuts through gender, status, culture, religion and all our other differences to bring us together for a common goal, a greater good. Anyone and everyone can be an entrepreneur. Anyone and everyone possess the ability to enhance their reality, to grow and become all that they can be. This paper proposes the following definition of entrepreneurship, entrepreneur and entrepreneurial act:

Entrepreneurship: The act of enhancing one's reality

Entrepreneur: A person who undertakes action to enhance his reality

Entrepreneurial act: An action that enhances reality

The definition of entrepreneurship this paper proposes has its roots in the three core components of entrepreneurship as developed in the preliminary conceptual framework of section 2.2. Therefore, the proposed definition of entrepreneurship also consists of three core components which are in turn governed by their own disciplines. The three components and their respective disciplines are:

The Act: This core component of entrepreneurship is governed by ***Economics***

Of Enhancing: This core component of entrepreneurship is governed by ***Psychology***

One's Reality: This core component of entrepreneurship is governed by ***History***

The finalized conceptual framework for entrepreneurship proposed in this paper is presented in figure 2.

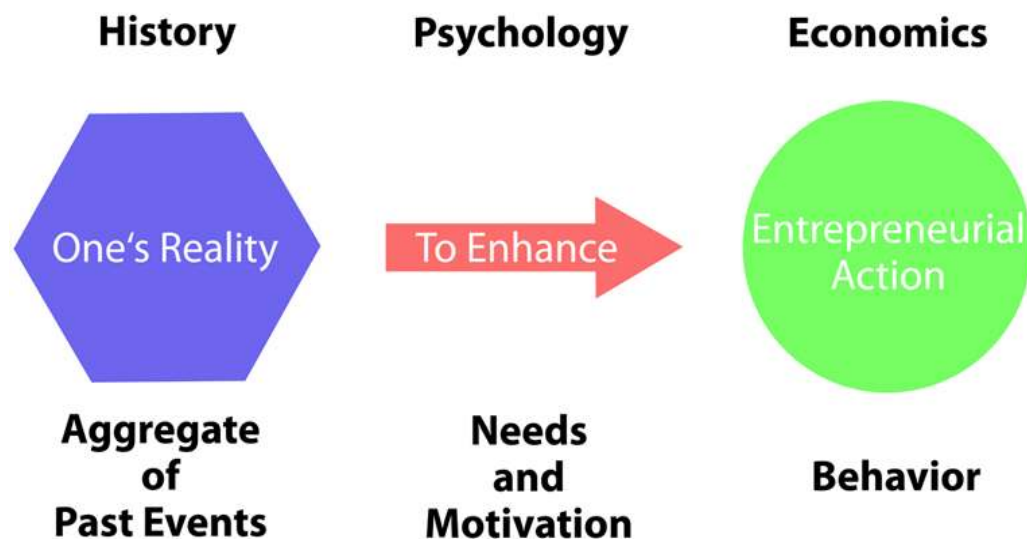


Figure 2 – Finalized conceptual framework for entrepreneurship

With the first core component “***one's reality***” it is possible to distinguish between and investigate the micro-level reality of the individual and the macro-level reality of the country where the individual operates in. The second core component “***to enhance***” together with the first core component “***one's reality***” forms the entrepreneurial motivation of an individual “***to enhance his reality***”. With the entrepreneurial motivation “to enhance one's reality” it is

possible to capture the innovative aspect of entrepreneurship, the growth promoting aspect of entrepreneurship, as well as the underlying motivation behind the individual's desire and need to innovate and grow. Furthermore the definition of entrepreneurship this article proposes can be measured, both in quantity and quality, and empirically tested due to its inherent trait and condition that there must be an enhancement of reality, the existence of an *enhanced* net effect. The quantity of entrepreneurs can be identified by studying *the act* of reality enhancement, while the quality of entrepreneurship can be identified by studying *the amount* of reality enhancement. Finally, with the third core component *“the act”* it is possible to capture, study and promote a broader array of entrepreneurial action that does not necessarily require the start up of a new organization.

The proposed definition and conceptual framework of entrepreneurship is consistent with the critique, insights and results of past research on entrepreneurship, it is also both broader and narrower than the definitions of entrepreneurship currently being used, while at the same time being more true to the definition of entrepreneurship discussed and sought for in literature concerning entrepreneurship (Van Praag and Versloot, 2007).

2.3 Implications of new definition for entrepreneurship

The new definition and conceptual framework of entrepreneurship this paper proposes brings forth various implications, it implies:

Implication 1: Entrepreneurship exhibits exponential growth

Reality exhibits linear growth. You work longer, you earn more. You read more, you learn more. You're born more talented, you can do more. You act more, you realize more. Rendered in a mathematical function this would be: $a \cdot R$, with “a” being one's action and “R” one's reality.

Entrepreneurship however exhibits exponential growth. Enhancing one aspect of reality has an influence on the entire reality, thereby creating a new reality. Entrepreneurship rendered in a mathematical function would be: $a \cdot R^e$, with “a” being one's action, “R” one's reality and “e” the enhancement of one's reality.²

² Enhancement of reality must not be confused with improvement of reality. Enhancement of reality is to raise *reality itself* to a higher degree ($a \cdot R^e$) while improvement of reality is adding something to make reality better ($a \cdot R + i$). To clarify: an unemployed individual getting employed is an improvement of his reality (the individual added work to make his reality better), while a self-employed individual has enhanced his reality (the individual himself has become the work, he raised his reality to a higher degree). It is a subtle difference, but a most important one. Might confusion still exist, try reading elevating instead of enhancing: ‘The act of elevating one's reality’.

The proposed definition of entrepreneurship also implies the finiteness of entrepreneurship:

Implication 2: Entrepreneurship is not a lasting condition

When reality ceases to be enhanced by the actor, the actor ceases to be an entrepreneur.³

Implication 1 together with implication 2 would mean:

Implication 3: Exponential growth is not a lasting condition

When the actor ceases to be an entrepreneur exponential growth will also cease.

The proposed definition of entrepreneurship also entails:

Implication 4: ‘The entrepreneur’ does not exist

Entrepreneurship does not consist of a set action (like starting a new firm), nor a set history (like higher education) for the entrepreneur. ‘The entrepreneur’ therefore does not exist.

Consequently the proposed definition of entrepreneurship also implies:

Implication 5: Everyone can be an entrepreneur

Everyone can be an entrepreneur in their own way by undertaking action to enhance their reality.⁴

The proposed definition of entrepreneurship further implies:

Implication 6: Entrepreneurship can be measured

The extent of entrepreneurship can be measured through the measurement of the enhanced reality, by measuring reality before and after the entrepreneurial action.⁵

³ This implication of the proposed definition of entrepreneurship coincides with Schumpeter’s definition of the entrepreneur, ‘an entrepreneur is neither a profession, nor a lasting condition’ (Van Praag, 1999).

⁴ Hypothesis 3 also coincides with Schumpeter’s definition of the entrepreneur not being a profession (Van Praag, 1999).

Based on implication 6 this paper proposes:

Implication 7: There exist levels of entrepreneurship

The amount of enhanced reality as the result of entrepreneurial action is variable. There exist lower levels as well as higher levels of enhanced reality. The lower levels of enhanced reality are the result of lower levels of entrepreneurship, while higher levels of enhanced reality are the result of higher levels of entrepreneurship.

Implication 7 suggests:

Implication 8: There exists a hierarchy of entrepreneurship

Lower levels of entrepreneurship exhibit lower levels of reality enhancement, while higher levels of entrepreneurship exhibit higher levels of reality enhancement.

Based on implication 1 to 8 this paper finally proposes:

Implication 9: There exists a pathway to becoming an entrepreneur

Both the quantity and quality of entrepreneurs can be fostered.

Implication 9 would also mean:

Implication 10: There exists a pathway to the enhancement of reality

When both the quantity and quality of entrepreneurs can be fostered, and entrepreneurs are enhancing reality, it would mean that the enhancement of reality can be fostered.

As the focus of this paper is on breadth rather than depth, it is beyond the scope of this paper to empirically test these implications as hypotheses. Implications 1, 8 and 10 are however of such magnitude that future in depth research is warranted. The remainder of this paper will instead focus on exploring the validity of these implications as well as the universality, consistency and applicability of the proposed definition and conceptual

⁵ On the micro-level, reality enhancement can take the form of a higher income and/or higher life or job satisfaction for individuals. On the macro-level, reality enhancement can take the form of a higher nominal GDP, a higher GDP per capita or an overall higher life or job satisfaction of the population of the country.

framework of entrepreneurship by examining and discussing the three core components of entrepreneurship.

First, in the following section 3, we will examine the historical aspect of entrepreneurship on the macro-level of the country and then on the micro-level of the individual. *Section 3 features implications 1 to 3.* In section 4 we will examine the psychological aspect of entrepreneurship. In order to elaborate and demonstrate the consistency and applicability of the proposed definition and conceptual framework, a theory of entrepreneurial motivation based on Maslow's hierarchy of needs (1943) will be developed and proposed. *Section 4 will feature implications 1 to 8.* Finally, in section 5 we will examine the economical aspect of entrepreneurship. *Section 5 features implications 9 and 10.*

3. The historical aspect of entrepreneurship

The proposed definition of entrepreneurship is 'the act of enhancing one's reality'. The first core component of entrepreneurship '*one's reality*' consists of the aggregate of past events, and is governed by the discipline history. One's reality consists of two parts: the micro-level reality of the individual and the macro-level reality of the country. These two realities must always be considered when studying entrepreneurship and its effect on economic development (Wennekers and Thurik, 1999). The micro-level reality of the individual is influenced by the macro-level reality of the country (e.g. through legal system, economic climate, etc.), while the macro-level reality of the country consists of all the micro-level realities of its citizens. *One's reality is therefore the aggregate of past events on both the micro-level and the macro-level.*

On the macro-level the relevant history for this paper will be the aggregate of past events that has lead to the economic reality a nation is in now. On the macro-level, studying history, the aggregate of past events of a country, grants us information to the very origins of the economic reality the country is in now. It grants us valuable information about the economic development of a country as well as the economic climate its citizens have to operate in.

On the micro-level the relevant history for this paper will be the aggregate of past events that has lead to the economic reality an individual is in now. On the micro-level, studying history, the aggregate of past events of an individual, grants us information to the very origins of the economic reality the individual is in now. It grants us valuable information about the tools available to the individual with which he operates and the base from which he acts.

The structure of this section will be as follows. First, the historical aspect of entrepreneurship on the macro-level will be examined. Then the historical aspect of entrepreneurship on the micro-level will be addressed.

3.1 The historical aspect of entrepreneurship on the macro-level

The history of a nation may contain events like industrialization and trade liberalization. The history of a nation may reveal or lack an extensive educational system. The history of a nation may contain war, famine, civil unrest, economic depressions, but also the very solutions to these problems. The history of a nation contains a record of the events that has shaped the nation into the nation it is today, while at the same time providing the base of the nation it can become tomorrow.

An event in the history of one nation, can be an action that another nation can take to shape its own future. Individuals can be entrepreneurial by undertaking actions to enhance their reality. The same definition of entrepreneurship can also be applied to entire nations, a nation too can be entrepreneurial by undertaking actions to enhance its reality.

When studying the history of nations, three truly entrepreneurial nations come to mind: The United States of America, Japan and the People's Republic of China. These three countries have undertaken drastic actions in the past to change their reality for the better and have now become the three largest economies of the world as measured in both nominal GDP and GDP based on purchasing power parity (PPP) (IMF 2009).

A brief history of today's three largest economies

The United States of America has the briefest history amongst the three, both cultural and factual. Thirteen colonies of the British Empire fought for, won and declared its independence from the British Empire on the 4th of July in 1776. The U.S.A. is rich in mineral resources and fertile farm soil and embraced industrialization and free trade. In the 233 years since its founding the U.S.A. has attracted immigrants from all over the world and has grown at a rapid rate to become the U.S.A. it is today, a huge, integrated, industrialized economy that makes up nearly a quarter of the world economy. Home to world renowned brands as McDonald's, Coca Cola and Walt Disney, the U.S.A. had moved away from the managerial capitalism of the 1950's and 1960's (when citizens and policymakers looked to large, established firms to carry the economy) to entrepreneurial capitalism (where much of the economic growth is being provided by rapidly growing new firms such as Microsoft and Apple) (Schramm et al. 2009). The U.S.A. continues to produce many new innovative

companies that may one day become an entrepreneurial giant like Wal-Mart. A prime example is Google, founded only a little over 10 years ago in 1998. If Google were a country, its revenue of over \$21 billion in 2008 would land it a spot in the top 100 of countries with the largest nominal GDP. In comparison, if Wal-Mart were a country its revenue of \$404 billion (2009) would earn the company a place in the top 30 of countries with the largest nominal GDP.

Japan as a mountainous, volcanic island country lacked the abundant natural resources of the U.S.A. After its loss in World War II prospects for Japan were not good. Post-war inflation, unemployment and shortages in all areas seemed overwhelming. Investments by the U.S.A. in Japan (U.S. officials believed economic development could not only democratize Japan, but also prevent a reemergence of militarism) jump started the economy, but it was the efforts of the Japanese Ministry of International Trade and Industry (MITI) that proved to be instrumental in Japanese post-war economic recovery. The government of Japan acted like an entrepreneur, orchestrating the economy, infrastructure and capital of Japan as if it were a company. Lacking natural resources, Japan pursued a strategy of converting raw materials imported from abroad through heavy industrialization. The low cost of imported technology allowed for rapid industrial growth. In 1965, Japan's nominal GDP was estimated at just over \$91 billion. In 1980, only fifteen years later Japan's nominal GDP has increased more than a hundredfold to \$1.065 trillion. This record period of economic growth has also been dubbed "the Japanese post-war economic miracle". In 2008, twenty eight years later Japan's nominal GDP has more than quadrupled to \$4.9 trillion.

The People's Republic of China has the longest history of the three nations. Home to one of the world's oldest and continuous civilizations it was also one of the world's most reclusive nations. China like the U.S.A. is rich in natural resources and fertile soil, and has a large domestic market and labour force. Despite these seemingly success factors it was not until the economic reform of the 1980's that China began to grow rapidly. In the past quarter of a century China has been the fastest growing major nation and is still growing fast. With a nominal GDP of \$300 billion in 1980, China's nominal GDP has increased more than tenfold to \$4.4 trillion in 2008. The IMF estimates that China will continue to grow exponentially to a nominal GDP of \$8.5 trillion in 2014.

Back to present

Presently, the United States of America is the world's largest economy with a nominal GDP of \$14.2 trillion, almost 25% of the world total. Japan is a distant second with a nominal

GDP of \$4.9 trillion, with the People's Republic of China nominal GDP of \$4.4 trillion a close third. The three nations with the largest nominal GDP account for more than 38% of the world's nominal GDP (IMF 2008). When these nations are viewed as individuals, it can be said that they are very successful entrepreneurs each with a very remarkable history.

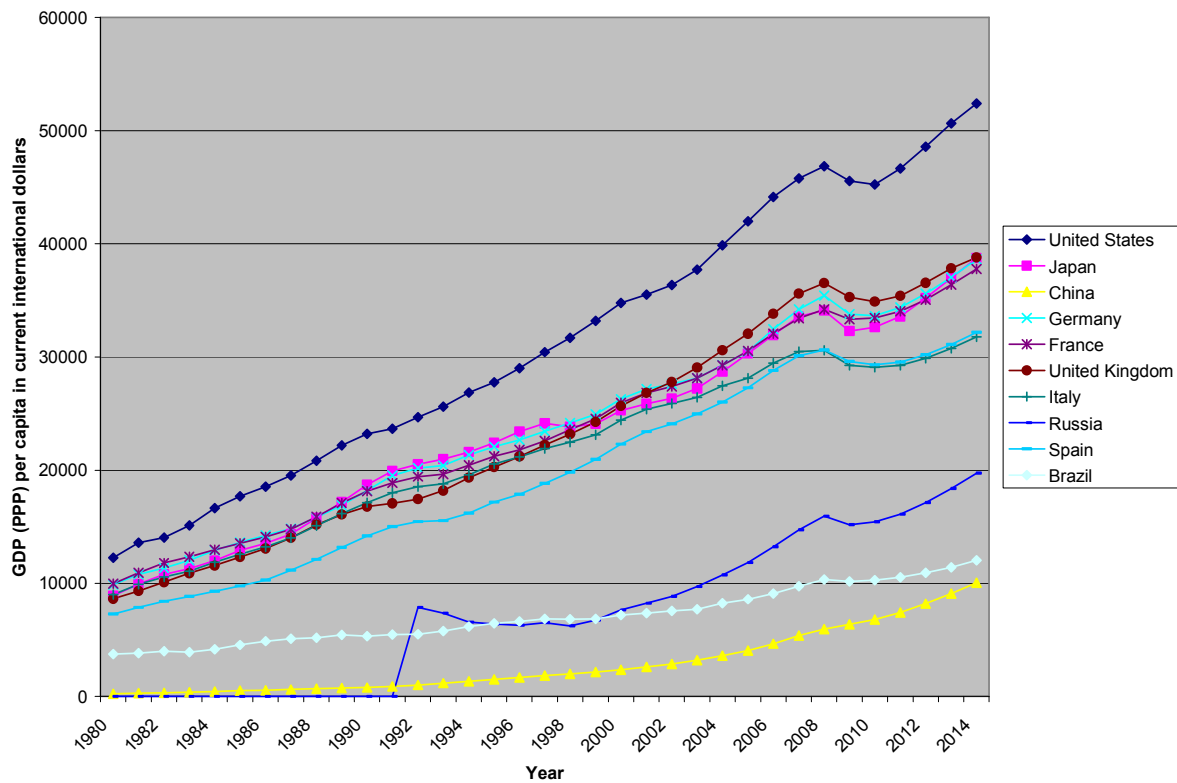


Figure 3, GDP (PPP) per capita of world's 10 largest economies(IMF 2008)

Looking at the GDP (PPP) per capita graph of the ten countries with the largest nominal GDP in 2008 the exponential growth of China's GDP (PPP) per capita can be seen as opposed to the mostly linear growth of the rest of the top 10. Japan also has experienced exponential growth of GDP per capita in the years of Japan's post-war miracle, while the world GDP per capita has experienced exponential growth since the industrial revolution (Lucas, 1996).

When the definition of entrepreneurship is the act of enhancing one's reality and when reality is that most nations will experience linear growth of GDP (PPP) per capita over time, then an exponential growth of GDP (PPP) per capita constitutes an enhancement of the nation's reality, the result of entrepreneurial action. Reviewing the history of Japan and China, the periods of exponential growth of GDP per capita coincides with the actions taken by their respective governments (MITI's role in Japan's post-war miracle and the economic reform orchestrated and executed by the government of China). Reviewing the history of industrious

countries, the periods of exponential growth of GDP per capita coincides with their successful industrialization (Lucas, 1996). These countries have proven successful in enhancing their agricultural reality into an industrial reality. Figure 3 however, does no longer show exponential growth of GDP (PPP) per capita for these successfully industrialized nations.

These empirical findings on the macro-level show support for implications 1, 2 and 3: entrepreneurial action yields exponential growth, and the exponential growth ceases when the entrepreneurial action ceases.

There seems however, to be a revival of entrepreneurship in advanced economies after centuries of decline (Wennekers et al., 2008). Industrialization and economies of scales brought with it large factories and companies with one owner and thousands of managed employees. The empirical findings of Wennekers et al. (2008) of the revival in entrepreneurship in advanced economies suggest that after centuries of decline entrepreneurship is increasing in advanced economies. Utilizing the proposed definition of entrepreneurship, in section 5.3 of this paper a possible explanation will be provided for this phenomenon, as well as how this new reality change from the industrial reality to the entrepreneurial reality might result in a new exponential growth of GDP per capita.⁶

What does history mean for entrepreneurship on the macro-level?

When the history of an individual is the aggregate of his past events. Then the history of a whole nation is the aggregate of all the individual histories of its citizens. Each citizen however does not play an equal part in the history of their nation. Most citizens in fact will play an almost negligible part in the history of their nation, while some citizens like Barack Obama of the U.S.A., Hayato Ikeda of Japan or Hu Jintao of the People's Republic of China, will play a larger part in the history of their nation. This however does not change the fact that every single individual does have a part to play, and that every single individual possesses the potential to enhance the reality of their nation. An event in the history of one nation, can be an action individual's of another nation can take to shape their own future. Besides politicians, one group of citizens stands out amongst other citizens for the role they had played in the history of their nations and for their potential of shaping the future of their nation and even the future of the world. This group of citizens is the entrepreneur.

⁶ The U.S.A. might be the first country of the world to exhibit the exponential growth of GDP (PPP) per capita as result of the macro-level reality change of the industrial reality to the entrepreneurial reality. For additional elaboration please see Appendix A.

3.2 The historical aspect of entrepreneurship on the micro-level

One's reality consists of the macro-level reality of the country and the micro-level reality of the individual. The focus of this section will be on highlighting the importance of *the history* of the micro-level reality of the individual as opposed to only focusing on the decisions a person makes now and the results of decisions.

The importance of the history of results

The trait approach, by studying the character and traits of individuals, sought to find the characteristics and traits of entrepreneurs in order to define the entrepreneur. The trait approach, while yielding many valuable insights into the being of entrepreneur has failed to produce satisfying and consistent explanations as to who this entrepreneur is (Gartner, 1988). Questions such as 'why does an individual with characteristics and traits X become an entrepreneur while another individual with the same characteristics and traits X became an employee', is but one of many questions that remain unanswered when using the trait approach.

The trait approach studied the character and traits of an individual in order to explain the entrepreneur. The character and traits of an individual however, *is the result of the aggregate of past events of the individual*. $0+7$, $1+6$, $2+5$, $3+4$, $4+3$, $5+2$, $6+1$ and $7+0$ may all equal the result 7 and results may be all that counts in mathematics, but in reality the history behind the results is of *utmost importance*. The result of 7 might for example stand for an individual without a master's degree. $1+6$ can then mean that the individual left high school at the age of seventeen⁷. $5+2$ can then mean that the individual steam rolled his way through high school, enrolled at a most reputable college only to drop out without completing his degree⁸. Same results of unfinished higher education under the trait approach, but both with a very different meaning and potentials when the history behind the result is known.

Let us consider another example, this time the result 7 is the characteristic of being independent. $0+7$ can then mean that an individual is an orphan and has learned to become independent on his own at a very young age. $7+0$ can then mean that an individual has very loving and successful entrepreneurial parents who have raised him to become and taught him the value of being an independent person. Same results of being independent under the trait approach, but again both with a very different meaning and potentials when the history behind

⁷ [Sir Richard Charles Nicholas Branson](#), founder and chairman of Virgin Group attended school until he was seventeen.

⁸ [William Henry "Bill" Gates III](#), founder and chairman of Microsoft left Harvard College to concentrate on his business that would later become Microsoft.

the result is known. There can be in fact infinite combinations of possible histories that may lead to the very same end result. History is therefore not the end all is all of entrepreneurial study, but serves as a starting point, a base from which we may understand the actions of the individual and his underlying motivations.

The importance of history for decision-making

At any given point in time the decisions an individual makes is based on the aggregate of past experiences, the history of said decision maker. At any given point in time the performance of an individual is also based on his history. In order to illustrate the importance of history let's consider the simple decision "Where are you going to eat tonight?" with the following example of two extremes:

Individual A and individual B are both of the same age and come from the same hometown. Presently at $t = 0$, individual A owns a highly successful company that has broken through at the world stage, while individual B owns a small shop in his hometown. Without further information about their history a reasonable answer to the decision "Where are you going to eat tonight?" might very well be "at an expensive restaurant as usual" for individual A and "at home as usual" for individual B.

When we know a bit more about their history, for example that five years ago they married (not each other) and that $t = 0$ is their fifth year anniversary, the decision to "Where are you going to eat tonight?" can be very different. A reasonable answer for individual A might then be "I am going to prepare a romantic candle lit dinner at home, it's a special day after all" while a reasonable answer for individual B might be "We are going to an expensive restaurant for a romantic candle lit dinner, it's a special day after all".

When we know even more about their history, for example that both individuals have been infected with the flu at $t = -0.1$ and that at $t = 0$ they are both sick in bed, a reasonable decision for both individual A and B might be: "we are having dinner at home, my wife is going to cook for me. It's our fifth year anniversary, but there is not much we can do with the state I am in".

What does history mean for entrepreneurship on the micro-level?

The history of an individual is the base from which he acts. Everything he is, owns, is capable of doing now or is going to do in the future is the product of an ever continuing accumulation of history, from the day he was born and before, to the present day and beyond. As can be seen in the example the outcome of even a simple everyday decision can vary

greatly depending on the history of the individual. Information about the history of individual A and B shed light on their behaviour for the decision “where to eat?” and their underlying motivation, “fifth year anniversary” and “sick at home”.

Actions of people are motivated either consciously or subconsciously. From eating (motivation: in order to live), to tying one’s shoes (motivation: to prevent tripping) to not tying one’s shoes (motivation: I won’t trip), to a complex decision like starting a company (motivation: no other work available, independence, recognition, etc.).

Motivations in turn have their roots in the history of the individual. From eating (history: experienced hunger), to tying one’s shoes (history: tripped before), to not tying one’s shoes (history: never tripped before), to a complex decision like starting a company (history: being unemployed for a long period, being employed for a long period, unrecognized at work despite doing good work, etc.). Everyone has their own unique history that has lead them to the life they live today.

In order to decipher *the motivations* that have lead up to a complex decision such as starting a company and the subsequent success or failure of these decisions, the importance of history cannot be overlooked. We will now investigate this second core component of the proposed definition of entrepreneurship: *the motivation* of the individual to enhance his reality.

4. The psychological aspect of entrepreneurship

The proposed definition of entrepreneurship in this paper is ‘the act of enhancing one’s reality’. The second core component of entrepreneurship, ‘*to enhance*’, is governed by the discipline psychology. ‘To enhance’ on its own is only a motivation, so it must be seen together with the first core component ‘one’s reality’ of section 3, together they form *the entrepreneurial motivation: to enhance one’s reality*. In this section we will take a closer look at this psychological aspect of entrepreneurship. Based on Maslow’s hierarchy of needs a theory of entrepreneurial motivation will be proposed.

4.1. A theory of entrepreneurial motivation

Life. Breathing, eating, drinking and resting, these are acts of living we all participate in. Whether male or female, rich or poor, highly educated or not educated at all, no matter where we live, we all need to breathe, eat, drink and rest in order to live and see another day. In this modern day and age, these basic physiological human needs we all share are mostly taken care of. If there were to be a national survey in prosperous countries, it would not be surprising for the question “What shall we eat today?” to rank in the top 10 of most frequently

asked questions on a daily basis. But what if there are no supermarkets to stroll about in to ask ourselves “hmm, what shall we eat today?” *What if there was nothing to eat?*

For the really poor and a lot of people in third world countries, having nothing to eat might be a reality they live in. There might not be any supermarkets or even regular markets nearby, and even if there were, they may not have any money. Food simply isn’t readily available for them. Then, instead of “What shall we eat today?” they may find themselves wondering “Shall we eat today?” Had Einstein been in Germany during the Nazi regime at the time he was working on what is now known as the Annus Mirabilis Papers would he have continued to work on the papers or seek refuge and safety instead? A child prodigy, had Mozart been born in a tribal African village with no keyboard or violin to be found even amongst the memories of all the villagers would his prodigious musical ability be made manifest or would he have become a masterful hunter instead? What motivates us to do the things we do?

A theory of human motivation

The hierarchy of needs proposed by Maslow (1943) sheds light on human needs and motivation. Maslow proposed that human needs are ordained in a certain hierarchy. Figure 4 displays this hierarchy of human needs.

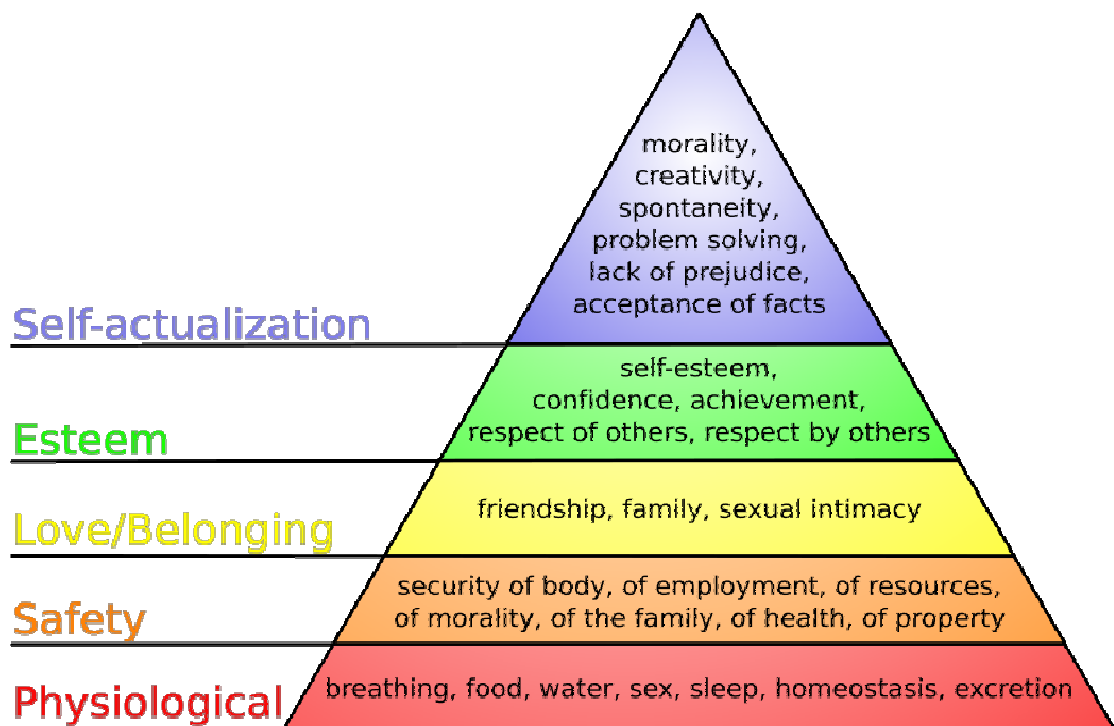


Figure 4, Maslow’s hierarchy of needs⁹

⁹ Image by [J. Finkelstein](#)

We all need to breathe, eat, drink and sleep¹⁰ in order to live (an individual human being would arguably not die when he doesn't have sex, but the human species as a whole *would* die out if we all stopped having sex). These basic human physiological needs we all share. When these needs are not satisfied, Maslow posits that the entire capacity of the individual will be in service to satisfy these needs: when Mozart is starving he will not be thinking music but bread.

Maslow further posits that as an individual satisfies his needs, new needs will gradually appear. After he has satisfied his hunger (level 1: physiological needs) an individual will work to find a steady source of income for food and housing (level 2: safety needs). When an individual has taken care of himself physically, he will hunger for love and belonging (level 3: love/belonging needs). When he is loved by friends and family an individual will be confronted with his desire for recognition, achievement, appreciation and independence (level 4: self-esteem needs). When an individual has satisfied all these needs he will desire to be more and more of what he is, to become everything he is capable of becoming (level 5: self-actualization needs) (Maslow, 1943). Maslow on self-actualization:

"A musician must make music, an artist must paint, a poet must write, if he is to be ultimately happy. What a man can be, he must be. This need we may call self-actualization." (Maslow, 1943)

The difference between the self-actualized individual and the entrepreneur

The definition of self-actualization by Maslow shows strong similarities with the definition of the entrepreneur this paper proposes. *There is however one important difference.* At first sight it would seem that all self-actualizing individuals are entrepreneurs. By becoming more and more of what one is it would seem that a self-actualizing individual is continually enhancing his reality, and is thus an entrepreneur. This is however only half true. It is true that self-actualizing individuals have a higher propensity to be entrepreneurs through their desire to become more and more of what they can be, but certainly not all self-actualizing individuals are entrepreneurs. To illustrate, consider the following example:

Under Maslow's definition of self-actualization a man like superstar golf player Tiger Woods could surely be considered a self-actualizing individual. He has satisfied his level 1 to 4 needs, he enjoys playing golf, he is able to play as much golf as he wants as it is his

¹⁰ Researchers at the University of Warwick and University College London have found that lack of sleep can more than double the risk of death from cardiovascular disease ([Ferrie et al. 2007](#)).

profession, and he strives to become a better golf player each and every day. Under the definition of entrepreneurship proposed in this paper however, the act of enhancing one's reality, Tiger Woods is not an entrepreneur. His reality has been and is that of an extraordinary talented golf player, and striving and working to become better each and everyday is what an extraordinary talented golf player does. His extraordinary results do not change the fact that he has not *enhanced* his reality to being more than an extraordinary talented golf player.

Tiger Woods *did* become an entrepreneur however when he enhanced his reality by developing golf courses through his golf design company, Tiger Woods Design. By being a developer for golf courses Tiger Woods enhanced his reality by adding design and business management to his repertoire (micro-level reality enhancement). He also enhanced his reality by developing golf courses that will bring enjoyment and job opportunities to a lot of people (macro-level reality enhancement).¹¹ Rendered in the entrepreneurial equation of implication 1, Tiger Woods' action right now might be worth 8, while his reality of an extraordinary talented golf player is a 10. His produce would be: $8 \cdot 10^1 = 80$. When he has become a better golf player by constantly self-actualizing himself, the same action might be worth 10. His produce would then be: $10 \cdot 10^1 = 100$. When for example adding a new skill to one's repertoire is worth 0.1, Tiger Woods in adding two new skills has enhanced his reality by 0.2. After he has mastered being a golf course developer his produce would then be: $10 \cdot 10^{1.2} = 158.5$.

As Tiger Woods becomes a better golf course developer he (as a golf player) might have insights on golfing he previously had not when he was only standing on the course. Vice versa when Tiger Woods becomes a better golf player due to the newly acquired insights he (as a golf course developer) might also be better able to tell what constitutes a good golf course and what not. Moreover, by designing and developing golf courses he (as an entrepreneur) may decide to add designing golf clubs and golf apparel to his reality¹², thus further his exponential growth. When Tiger Woods has mastered being a golf course developer, golf clubs designer and golf apparel designer, his exponential growth will cease for

¹¹ Tiger Woods is not the only person to successfully engage in activities outside his main area of expertise. It is a trend witnessed amongst the highly successful.

¹² While adding a completely new skill might for example enhance one's reality with 0.1, adding a relatively new skill will enhance one's reality less. In our example designing and business management are two completely new skills for Tiger Woods yielding him a reality enhancement of 0.1 each, while designing golf clubs might for example yield him a reality enhancement of 0.8 and designing golf apparel a reality enhancement of 0.4. Dependent on the novelty and impact of newly acquired skill, reality enhancement will be more or less.

the time being. His reality is now that of an extraordinary talented golf player, golf course developer, golf clubs designer and golf apparel designer.

This scenario on the micro-level is consistent with implications 1 to 3: Entrepreneurial action yields exponential growth, and the exponential growth ceases when the entrepreneurial action ceases.

Proposed theory: Levels of entrepreneurship

Utilizing the proposed definition of the entrepreneur, ‘the act of enhancing one’s reality’, in concert with Maslow’s hierarchy of needs, it would mean that when an individual is satisfying a new level of needs through an entrepreneurial act, he is an entrepreneur until his needs of that level are satisfied: *the individual is effectively enhancing his reality by satisfying a new level of needs.*¹³ For example, when an individual opens a shop in order to satisfy his level 1 and 2 needs, he is an entrepreneur.¹⁴ This is consistent with the conditions of the entrepreneur that he is innovative and beneficial to society. Although on a small scale, the individual is innovative by introducing something new: a new way for him to make a living. Although on a small scale the individual is also beneficial to society: he at least managed to employ, sustain and satisfy one individual, himself. He might be better off working as an employee at a company though as his produce as a small shop owner might be: $4 \cdot 2^{1.2} = 9.19$, while his produce as an employee might be: $4 \cdot 2 + 2 = 10$.

The individual ceases to be an entrepreneur however when his shop proves successful to satisfy his level 1 and 2 needs, and he now contently dwells at level 3. He is no longer enhancing his reality (his reality is now that of a small shop owner), so he is no longer an entrepreneur. This result is consistent with entrepreneurship literature’s often used definition of the entrepreneur being an individual who starts a new business or owns a business younger than X years, it is also consistent with the critique that small shop owners are not ‘real’ entrepreneurs, because they lack innovativeness and do not experience or promote high economic growth (Van Praag and Versloot, 2007).

¹³ The proposed definition of entrepreneurship rules out destructive needs. Destructive needs like stealing might satisfy the micro-level reality of one individual, but this is at the expense of the micro-level reality of another individual. The sum of reality enhancement will be at best 0. The micro-level reality gain of the thief is offset by the macro-level reality loss (the victim’s micro-level reality is part of the macro-level reality). The proposed definition also rules out trivial needs, like the need for a bigger television, these are reality improvements not an enhancement.

¹⁴ The proposed definition of entrepreneurship also rules out unsatisfied needs and unsuccessful ventures. When the shop proves unsuccessful and racks up a debt, not only has the individual been unsuccessful in satisfying his needs, he is also not an entrepreneur since he has not enhanced his reality.

Under the proposed definition of entrepreneurship it would mean that there exist different levels of entrepreneurship: the produce (personal gain, innovativeness and contribution to society) of a small shop owner's enhanced reality would be markedly smaller than the produce of for example Tiger Woods' enhanced reality. Based on the proposed definition of entrepreneurship and Maslow's hierarchy of needs (1943), this paper identifies and proposes three levels of entrepreneurship: *necessity entrepreneurship, independence entrepreneurship and self-actualizing entrepreneurship*.

Like Maslow's hierarchy of needs, the three levels of entrepreneurship this paper proposes are also ordained in a hierarchy. *Necessity entrepreneurship* is generally least innovative and contributes only a little to society, while *independence entrepreneurship* is more innovative and contributes more to society, with *self-actualizing entrepreneurship* being most innovative and contributing most to society. Figure 5 displays these levels of entrepreneurship in relation to Maslow's hierarchy of needs.

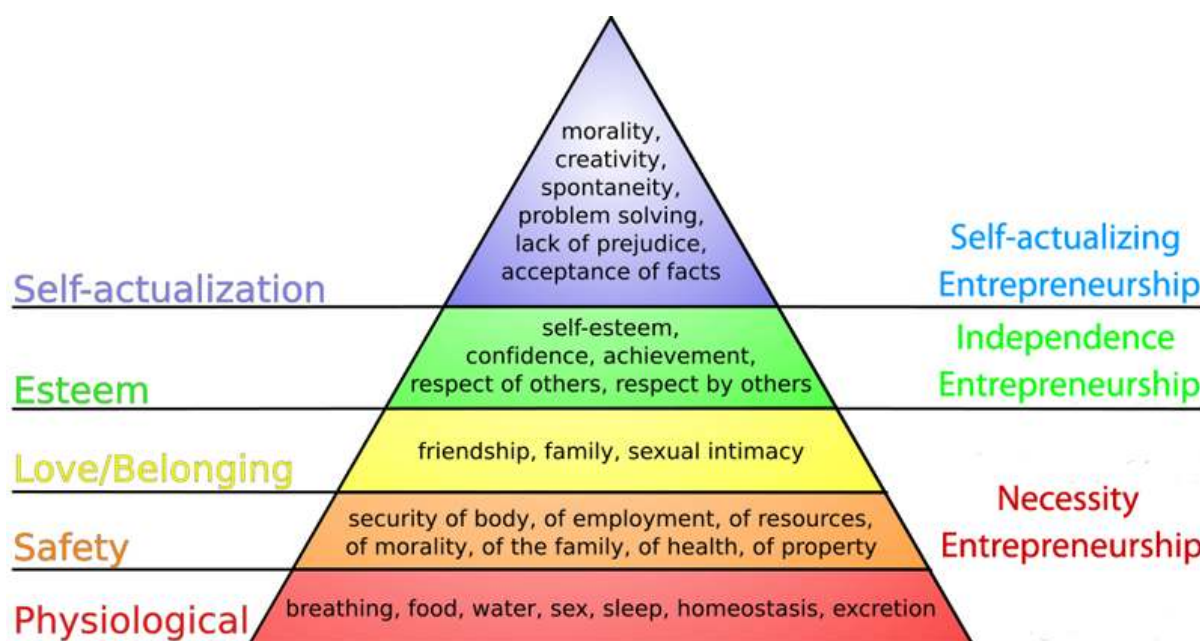


Figure 5, Levels of Entrepreneurship and Maslow's Hierarchy of Needs

The proposed levels of entrepreneurship will now be discussed with the support of empirical findings from research on entrepreneurship.

Self-actualizing entrepreneur, the true entrepreneur?

Necessity entrepreneurship is prevalent in the relatively poor who seek to satisfy their level 1 to 3 needs (Carree et al., 2002; Wennekers et al., 2005; Bosma et al., 2008, Wennekers

et al., 2008).¹⁵ Necessity entrepreneurs are for example individuals who were unemployed, switched jobs regularly or received low pay, individuals who set up shop in order to have an income to satisfy their level 1 to 3 needs (Evans and Leighton, 1989).¹⁶

Independence entrepreneurship is prevalent in individuals who have satisfied the level 1 to 3 needs and are seeking to satisfy their level 4 needs, recognition, autonomy and independence (Carree et al., 2002; Wennekers et al., 2005; Bosma et al., 2008, Wennekers et al., 2008).¹⁷ In essence, independence entrepreneurship is also a form of necessity entrepreneurship: the necessity to be independent. The difference with necessity entrepreneurs is that independence entrepreneurs have satisfied their level 1 to 3 needs prior to becoming an independence entrepreneur, which implies a (good) steady income (Van Praag and Versloot, 2007)¹⁸. Independence entrepreneurs are for example individuals who were dissatisfied with the job they had. Not receiving recognition and respect they desired autonomy and achievement (Noorderhaven et al., 2004).¹⁹ Since the independence entrepreneur had enjoyed a (good) steady income, the current occupation of entrepreneur that he holds must give him more satisfaction in the form of achievement and/or autonomy, for him to have made the switch from employee to entrepreneur (Blanchflower and Oswald, 1998; Van Praag and Versloot, 2007)²⁰. Independence entrepreneurship generally requires more innovativeness and makes a larger contribution to society than necessity entrepreneurship, but only marginally so (Hessels, Van Gelderen and Thurik, 2008).²¹

Self-actualizing entrepreneurship is prevalent in individuals who have satisfied the level 1 to 4 needs and continually seek to enhance their reality (Wennekers et al, 2008).²²⁺

¹⁵ This is consistent with empirical findings that there exist a U-shaped relation between entrepreneurial activity and per capita income, with very low levels of per capita income having high levels of entrepreneurial activity (Carree et al., 2002; Wennekers et al., 2005; Bosma et al., 2008, Wennekers et al., 2008).

¹⁶ This is consistent with empirical findings that the (frequently) unemployed also tend to become self-employed (Evans and Leighton, 1989).

¹⁷ This is also consistent with empirical findings that there exist a U-shaped relation between entrepreneurial activity and per capita income, with higher levels of per capita income having higher levels of entrepreneurial activity (Carree et al., 2002; Wennekers et al., 2005; Bosma et al., 2008, Wennekers et al., 2008).

¹⁸ "The majority of entrepreneurship would earn higher incomes as wage employees." (Van Praag and Versloot, 2007)

¹⁹ This is consistent with empirical findings that dissatisfaction is a push factor towards self-employment (Noorderhaven et al., 2004).

²⁰ This is consistent with empirically gathered findings that the self-employed report higher levels of job and life satisfaction than employees, "the self-employed really are happier" (Blanchflower and Oswald, 1998). Van Praag and Versloot (2007) also report higher levels of job satisfaction for entrepreneurs.

²¹ This is consistent with empirical findings that 'individuals motivated to start a firm out of necessity or to strive for independence are not likely to have high ambitions for their business and therefore are probably not the ones making a significant contribution to their country's innovation, employment creation, and economic growth' (Hessels, Van Gelderen and Thurik, 2008).

²² This is consistent with empirical findings that advanced economies have relatively more innovative entrepreneurs (Wennekers et al, 2008).

Having satisfied the level 1 to level 4 needs however, reality holds a different meaning for the self-actualizing entrepreneur. As discussed in section 3:

“One group of citizens stands out amongst other citizens for the role they had played in the history of their nations and for their potential of shaping the future of their nation and even the future of the world. This group of citizens is the entrepreneur.”

There exist the micro-level reality of the individual and there exist the macro-level reality of the country and the world. In the usual order of things the macro-level reality of the country has an influence on the micro-level reality of the individual and not the other way around. This paper however, proposes: *the self-actualizing entrepreneur considers the macro-level reality as a part of his reality, a reality he has an influence on*. Having met the level 1 to 4 needs the self-actualizing entrepreneur has walked the path of personal growth. The self-actualizing entrepreneur has an understanding of himself and his place in the world, and continually seeks to enhance his reality, by enhancing himself (e.g. by increasing his knowledge and skills), by enhancing his place (e.g. by introducing innovative ideas that enhances his immediate surroundings) and some self-actualizing entrepreneurs may even seek to enhance the world.²³

Schumpeter's entrepreneur “is a person who carries out new combinations; in whatever position” (Van Praag, 1999). By continuously enhancing their realities self-actualizing entrepreneurs have more skills and knowledge at their disposal to form and recognize new combinations with. A useful new combination will thus most likely be formed by a self-actualizing entrepreneur who possesses the right combinations of skills and knowledge. As a result of the new combination new opportunities for profit may arise. When there are new opportunities for profit, again, the self-actualizing entrepreneur who possesses the right combinations of skills and knowledge will be the one who is most likely to recognize and exploit these opportunities. This paper therefore proposes: ***the self-actualizing entrepreneur** is responsible for the world's most innovative thoughts, ideas, solutions and products, and can be deservedly called **the true entrepreneur**.*

[†] The proposed theory of levels of entrepreneurship is consistent with empirical findings on motivational drivers for entrepreneurship (Hessels, Van Gelderen and Thurik, 2008).

²³ Accordingly to individual capacity and perception some self-actualizing entrepreneurs might consider the town they live in their immediate surroundings, some their province, some their country, while a visionary few consider the world as their immediate surroundings.

What does psychology mean for entrepreneurship?

The developed theory of levels of entrepreneurship is consistent with implications 4 to 8 and seems to be supported by empirical research on entrepreneurship. A short review will be given of implication 4 to 8 in light of the proposed theory of levels of entrepreneurship.

Implication 4 suggests that ‘the entrepreneur’ does not exist: there is no set history or set action for the entrepreneur. For example, an *unemployed* individual with *no prior education* can be a necessity entrepreneur by satisfying his level 1 to 3 needs through enhancing his reality by opening a small shop. An *employed* individual who has *completed higher education* can be an independence entrepreneur by satisfying his level 4 needs through enhancing his reality by working on an independent effort at his job such as proposing a new idea to the executive board or by starting his own company when his talents are not recognized. An *unemployed* individual who has *abandoned his education* can be a self-actualizing entrepreneur when he is sufficiently satisfied in his level 1 to 4 needs and seeks to satisfy his level 5 needs by doing research for and working on a private project that could very well become a giant like Microsoft.

The proposed definition of entrepreneurship is able to capture a broad array of entrepreneurial activity and as **implication 5** suggests: everyone can be an entrepreneur in their own way by undertaking action to enhance their reality. Even though the proposed definition of entrepreneurship implies that everyone can be an entrepreneur, the proposed definition also implies that it is able to distinguish between entrepreneurs. **Implication 6** states: entrepreneurship can be measured through the measurement of the extent of enhanced reality. A necessity entrepreneur might have enhanced his micro-level reality by learning basic business skills. He will also have enhanced the macro-level reality on a very small scale as there is now one less unemployed individual. The self-actualizing entrepreneur however might have enhanced his micro-level reality by learning advanced business skills, by expanding his social network or by learning an entirely new skill set. A self-actualizing entrepreneur has the potential to enhance the macro-level reality on a very grand scale through research, invention, production, employment and the high utility his services offers to other people. The amount of enhanced reality of a necessity entrepreneur is markedly smaller than the amount of enhanced reality of a self-actualizing entrepreneur, but it is a reality enhancement nonetheless and therefore beneficial to society as a whole. While the amount of reality enhancement of necessity entrepreneurs and independence entrepreneurs may be mostly limited to the micro-level of the individual, the aggregate of these micro-level reality

enhancements are indispensable to society as a whole since the aggregate of the micro-level realities of people form the macro-level reality of a country.

A theory of entrepreneurial motivation has been developed in this section based on Maslow's hierarchy of needs (1943). The proposed theory of levels of entrepreneurship is consistent with **implication 7**: there exist levels of entrepreneurship, and **implication 8**: there exists a hierarchy of entrepreneurship. The proposed levels of entrepreneurship: necessity entrepreneurship, independence entrepreneurship and self-actualizing entrepreneurship also seem to be supported by the results and insights of past empirical research on entrepreneurship.

When there does exist levels and a hierarchy of entrepreneurship is it then possible for an individual at level 1 to enhance his reality all the way to level 5 and become a self-actualizing entrepreneur?²⁴ In order to investigate this proposal we will now continue with the final core component of the proposed definition of entrepreneurship: '*the act*'.

5. The economical aspect of entrepreneurship

In section 3 we have looked at the historical aspect of entrepreneurship: the history of 'one's reality'. We have distinguished two different realities that are important to the scientific field of entrepreneurship, the macro-level reality of the country and the micro-level reality of the individual. In section 4 we have looked at the psychological aspect of entrepreneurship: the entrepreneurial motivation of 'enhancing one's reality'. Based on Maslow's hierarchy of needs a theory of entrepreneurial motivation was developed.

This section will investigate the final core component of entrepreneurship 'the act'. This final core component of entrepreneurship is governed by the discipline economics. 'The act' on its own is behaviour without meaning and without actor, so it must be seen together with the first two core components of entrepreneurship. 'The act' together with the entrepreneurial motivation 'to enhance one's reality' gives us the definition of entrepreneurship that this paper proposes: '*the act of enhancing one's reality*'.

In this section we will look into the economical aspect of entrepreneurship on the micro-level and then on the macro-level. Before we can do so however we will first have to define what exactly constitutes an act that enhances reality. For this we will look at the physical aspect of entrepreneurship.

²⁴ For a more detailed scenario of entrepreneurial motivation on the micro-level please view Appendix B at the end of this paper.

5.1 The law of ever enhancing reality?

The second law of thermodynamics is a law of physics, a law of physical reality. This law of ever increasing entropy towards maximum entropy can best be described with an example:

When you order a glass of iced tea on a hot summer's day, you will notice that without your interference the ice cubes in your drink will melt. This is because the second law of thermodynamics is at work. This law of physical reality dictates that heat will always flow from the material with the higher temperature to the material with the lower temperature ([Clausius, 1850](#)).

The term of entropy in physics should not be mistaken with the more common use of the term that means disorder or degeneration.²⁵ “*Entropy change measures the dispersal of energy: how **much** energy is spread out in a particular process, or how **widely** spread out it becomes*” (Lambert, 2008). Maximum entropy is in fact exactly the opposite of disorder: a state of maximum entropy is a state of maximum dispersion and order where all the molecules and atoms of a material are moving at the same speed, a state of harmony, a state of equilibrium.

This harmony might not be a good thing on the cosmic level, as it could mean all stars have lost their heat, and space might have turned into one frigid place. It is however good for the micro-level of the individual, the macro-level of the country and the global level of our planet earth.

Implications on reality

All that grows and lives on our planet is the result of the second law of thermodynamics. Without the seemingly infinite dispersion and transfer of heat from the sun to our oceans, to our soil, to our vegetation, to our bodies there would not be any life possible on earth. True, it is an unfair deal for the sun. It is only giving and giving without receiving anything in return to the point of her imminent death. But for now the sun is okay. It is no problem for her to keep on shining for years and years to come. She still has plenty of shine left. For the sun it is like giving one dollar to our little world once a year out of her immense wealth of billions of dollars. No worries on her part that she will go bankrupt any time soon.

That single dollar that she gives to our world once a year however is what made all that we now know possible. The air we breathe everyday and the place we call home, the

²⁵ The ever increasing entropy of e.g. heat could however be seen as degeneration of concentrated energy: The concentrated heat of the sun is ever decreasing as how the concentrated coldness of the ice cubes in your drink was ever diminishing, thus making the energy less useful.

smile of our loved ones as well as our dreams and hopes. If you were the sun, would you not have given that single dollar once a year to our little world? A place we all call our home?

To many people in Bangladesh, Muhammed Yunus is their sunshine. Without the first microcredit of \$27 he made to 42 women decades ago, millions of people today would not have been able to slowly build up their own little world. Muhammed Yunus had transferred a little of his wealth to the poor. In a zero-sum game all that has happened would be that Muhammed Yunus became \$27 less wealthy and the 42 women \$27 dollars wealthier. Reality however tells a different story. The women made a profit and were able to return the loan to Yunus. Yunus founded Grameen Bank, a bank that provides microcredit to the poor without requiring collateral. The Grameen Bank went on to provide microcredit to millions of people. The Grameen Bank in turn inspired the founding of institutions throughout the world to provide microcredit. This all has happened through the effort and work of one person. Had he decided not to undertake such actions as he did, reality would have been a very different place. Millions of people might live in more impoverished circumstances than they are now, Muhammed Yunus would not have been awarded the Nobel Peace Prize in 2006, and this paper would not have featured Muhammed Yunus's entrepreneurial act that enhanced the reality of millions of people. Millions of people who may in turn enhance the reality of millions and millions more.

"The second law of thermodynamics says that energy of all kinds in our material world disperses or spreads out if it is not hindered from doing so." (Lambert, 2008)

The second law of thermodynamics dictates ever increasing entropy²⁶, the story of Muhammed Yunus and the history of humankind however seems to indicate an ever enhancing reality. Our reality is based on and contains energy of the sun, in ways similar how fossil fuel is based on and contains energy of the sun. When our reality then is seen as a form of energy, *is the ever enhancing reality we seem to be witnessing the result of ever increasing entropy, the ever increasing dispersion of our reality?* To further investigate this proposition, please consider the following illustration of the relationship between the second law of thermodynamics and human reality:

Energy flows from the material with higher temperature to the material with a lower temperature till there is equal temperature. The material with higher temperature has become

²⁶ Again, the term entropy should not be mistaken with disorder or degeneration. Ever increasing entropy to the point of maximum entropy could best be described as continual dispersion of energy till maximum dispersion has reached (Lambert, 2008).

colder and the material with lower temperature will have become warmer. The end result can be seen as a zero-sum game, one material's gain is the other material's loss.

Air flows from the place with higher air pressure to the place with lower air pressure till there is equal pressure. The place with higher pressure has decreased in pressure and the place with lower pressure has increased in pressure. This end result can also be seen as a zero-sum game, one place's gain is the other place's loss.

Knowledge also flows from the person with higher knowledge on one subject to the person with lower knowledge on that same subject. The person with lower knowledge would have an increase in knowledge, but the person with the higher knowledge would not have decreased in knowledge. ***This is not a zero-sum game, there is a positive effect.*** Furthermore as with comparative advantages, it is likely that both individuals will increase in knowledge.

Reality flows

Our reality is defined by our ability to accumulate knowledge and pass that knowledge on to other individuals, even to individuals from many generations later than our own. We disperse our knowledge and receive knowledge through our actions, our speech or our writing. From the very first handmade fires to the blast furnaces of today, from Icarus' wings to men on the moon, human reality as we know it today would not be possible without the ability to accumulate knowledge and the ability to pass on that knowledge. The second law of thermodynamics states a continual dispersion of energy till maximum dispersion is reached. Because of our ability to retain knowledge, the ever increasing entropy or dispersion of knowledge does not result in a zero-sum game. When the second law of thermodynamics applies to human knowledge this would mean that *when an individual is exposed to knowledge he will increase in knowledge until he has reached (his) maximum knowledge.*²⁷

The second law of thermodynamics can also be applied in the same way to an individual's reality: *an individual can never degrade his reality he can only enhance his reality until he has reached his maximum reality.* For example, a man who has enhanced his reality with the skill of fishing can never degrade his reality, that of a man who can fish. He may impoverish his reality by fishing at a spot with less fish, but that does not change the irreversible fact of reality that he can indeed fish. The same holds true for an individual who has enhanced his reality to that of an independence entrepreneur at level 4. A global economic downturn might put him out of business, but that does not change the irreversible fact of

²⁷ This can be a double-edged sword since 'false' knowledge needs to be unlearned. 'Unlearning' and undoing the consequences of 'false' knowledge would also take time and effort like acquiring knowledge.

reality that the individual indeed does possess the skills of an independence entrepreneur at level 4. His business might be gone due to effects of the macro-level reality, but his skills at the micro-level reality remains: his reality has not degraded, his reality has only impoverished. He may impoverish his reality further by losing his confidence, but he can also as easily be confident and improve his reality again by starting up another business since his skills are all still there.²⁸

When reality and knowledge are seen as flows of energy under the second law of thermodynamics, this would mean that *an individual's reality and knowledge can never degrade or decrease by coming into contact with another individual's reality and knowledge*²⁹, but only enhance or increase to the point of maximum reality or maximum knowledge. This maximum reality or maximum knowledge would then be what an individual is ultimately capable of.

Towards maximum reality

We as humans possess the unique ability to *consciously* slow down, stop and even on a small scale reverse the flow of ever increasing entropy.³⁰ Unlike the ice cubes in a glass of iced tea however, we are able to consciously move around on our own and try new drinks, in a new country, with new people. We are able to absorb knowledge from new sources, retain that knowledge and pass it on to others. This consciousness however, is also what might be prohibiting us from reaching our theoretical maximum knowledge and maximum reality. We can for example consciously choose not to believe something that is true. We can also actively choose to forego opportunities that will enhance our realities by not interacting with new people and by doing the same things we know and are comfortable with.

Whether the second law of thermodynamics also applies to the concentrated energy form that is human reality and human knowledge needs to be investigated further. When the second law of thermodynamics *does* apply to human reality though, this would mean that an

²⁸ An individual's confidence is based on the subjective reality of an individual's skill. The (objective) reality of an individual's skill is the individual's true skill level. Confidence, overestimation of one's reality, can therefore lead to negative results when an individual 'thinks' he can be an independence entrepreneur at level 4 while in reality he cannot. Business failure will ensue. When macro-level conditions are good however, this can mask the true skill level of an individual by keeping the business alive. The individual helped by the macro-level reality might then feel reaffirmed that he really has the skills, only to go bankrupt when macro-level reality worsens (economic bubble). It is also possible that an individual helped by the macro-level reality is given an opportunity he otherwise would never have, to work on his skills and indeed does enhance his reality.

²⁹ Your reality and knowledge *can* worsen however as a result of another individual's reality (he stabs you with a knife) and knowledge (he tells you something that isn't true and you believe him). It will take time and effort to undo the damage, but this does not change the fact that the individual's reality and knowledge he had before the encounter are all still there.

³⁰ We manipulate the second law of thermodynamics constantly *by using energy* to warm up a cold room, cool down a hot room, boil water, freeze water etc.

individual's lifetime consists of the flow of his initial state (pre-birth/current reality) to his final state (maximum reality). As this proposition yields valuable insight into why one individual decides to act on his entrepreneurial motivation to enhance his reality while another individual does not, for the remainder of this paper we will view the individual's reality in the context of the following proposition:

Our life on earth is a flow of events from our current reality towards our maximum reality.

When this proposition is true, it would mean that the act of enhancing one's reality is the natural flow of reality. The act of enhancing one's reality would then just simply consist of encountering and interacting with "higher reality" and "higher knowledge". One's reality will then naturally be enhanced and one's knowledge would naturally increase. Reality however tells a different story: not everyone is an entrepreneur.

With this state of mind we will now investigate why this is by examining the economical aspects of entrepreneurship, first on the micro-level of the individual and finally on the macro-level of the country.

5.2. The economical aspect of entrepreneurship on the micro-level

Without the act there would be no entrepreneurship. It is the action that distinguishes the entrepreneur from the non-entrepreneur. The entrepreneur is the individual who acts on his entrepreneurial motivation to enhance his reality. *But why is the individual enhancing his reality?* This might seem like an absurd question. Wouldn't everyone want to enhance his reality? The answer would appear to be a logical yes, but reality however tells us that the result is an illogical no. This discrepancy of motivation (yes, I would want to enhance my reality) and action (no, I don't act to enhance my reality) will be discussed now (Blanchflower, 2000)³¹.

³¹ The International Social Survey Programme asked random employees from eleven countries the hypothetical question 'if you could choose between being an employee and being self-employed, which would you choose?' Large percentages of employees choose to be self-employed, yet remained in employment. Values ranged from 61% (out of 387) for Italians to 22% (out of 970) for Norwegians (Blanchflower, 2000).

What prohibits us from reaching our maximum reality?

Self-actualizing entrepreneurs are vastly outnumbered by necessity and independence entrepreneurs in reality (Van Praag and Versloot, 2007)³². By considering the psychological aspect of entrepreneurship in combination with the physical aspect of entrepreneurship a possible explanation is provided: when an individual's initial state is defined by the history of his reality (the "entrepreneurial" act that lead to his birth) and his maximum reality is viewed as the "finish", then his current reality can be seen as the progress he has made on the path from his initial state to his maximum state. Apparently this is a "tough path" to complete; it is difficult for an individual to reach this maximum state of reality that is the self-actualizing entrepreneur at level 5. Maslow (1971) provides support for this tough path and the eventual finish that is maximum reality. He described people whom he thought had achieved self-actualization as "*so different from the run-of-the-mill people in the world,*" he also realized that these people in being so different from a majority of people actually are "*a kind of person,*" they were also older people who were visibly successful (Maslow, 1971).

When we suppose that the natural flow of reality is from the initial reality to maximum reality and we witness that but a few individuals manage to walk the entire path (close) to completion, a possible explanation would be that there is something that prohibits the natural flow of reality, something that is blocking the path or slowing down the progress. Another possibility is that the maximum reality of most people does not reach that of the self-actualizing entrepreneur at level 5. Determining the existence of this maximum reality for people and how an individual's maximum reality can then be measured as well as his progress towards maximum reality is beyond the scope of this paper but demands further investigation. We will focus instead on the first explanation by examining the possible prohibitions individuals face in their decision to undertake an entrepreneurial action. We will first examine the possible prohibitions individuals face for necessity entrepreneurship, then independence entrepreneurship and finally self-actualizing entrepreneurship.

Necessity entrepreneurship (level 1 to 3): As discussed in section 4.1, necessity entrepreneurship seems to be prevalent amongst the poor who, for example, set up shop in order to satisfy their level 1 to 3 needs. An individual seeking to satisfy his level 1 to 3 needs

³² Empiric data shows that the majority of entrepreneurs would earn higher wages when working as employees. When classified, these entrepreneurs would mostly be necessity entrepreneurs, and a smaller amount of independence entrepreneurs who are satisfied by meeting their level 4 needs (e.g. autonomy) despite lower wages (Van Praag and Versloot, 2007). Van Praag and Versloot also mention the existence of 'superstar entrepreneurs' whose income can cause the mean income of entrepreneurs to reach high levels, this paper proposes that these 'superstar entrepreneurs' are the self-actualizing entrepreneurs at level 5.

may consciously choose not to become a necessity entrepreneur with good reason. Although he will enhance his reality by becoming a necessity entrepreneur, the outcome of an improved reality by becoming an employee may be greater for him³³ and might be easier to attain. This becomes clearer when an improvement of reality is compared to an enhancement of reality.

Improvement of reality versus enhancement of reality: An improvement of reality is *not* permanent (e.g. having a job or business), whereas an enhancement of reality *is* permanent (you may lose your job or business, but you will not lose your skills and knowledge that got you that job or business). The effects of an improvement of reality are however more direct and immediate as opposed to the more indirect and subtle effects of an enhanced reality. For an individual who seeks to satisfy his level 1 to 3 needs, that contain the basic needs of food and shelter, a more direct and immediate improvement through employment might be more favourable than becoming a necessity entrepreneur. This is because the cause and effect relation between action and reward is very strong when an individual improves his reality. For example, when an individual applies for jobs, he will eventually be rewarded with a job. When an individual then works at his new job, he will be rewarded with money. When he purchases goods with the money he earned, he will be rewarded with the enjoyment of the purchased goods. The cause and effect between action and reward is clear and the individual *knows what to expect* when he undertakes an action to improve his reality: He does A, he gets B. He does B, he gets C and when he does C, he gets R his reward: food and shelter.

The cause and effect relationship between action and reward is more ambiguous when an individual undertakes action to enhance his reality. For example, for the same individual to successfully become a necessity entrepreneur he will first have to think about what kind of shop he is going to open and what the best location is for him and his shop. He will have to learn how to manage a shop and file taxes. He will need to acquire the necessary funds for his shop. He will need to find a supplier for the inventory of his shop or shop around for the inventory himself. When he has signed the necessary contracts and got the necessary funds he will need to make his shop presentable to his customers before it can open. All the while the individual is gaining experience and knowledge; he is slowly enhancing his reality. But only when he has done all the necessary preparation work and opened up his shop can the rewarding for his efforts begin. The individual has to do A+B+C+D+E in order to get R, his reward. Why should he spend so much time and effort when he can just apply for a job, work and get the reward immediately and certainly? In the case of necessity entrepreneurship the

³³ “The majority of entrepreneurs would earn higher incomes as wage employees” (Van Praag and Versloot, 2007).

benefits of improving one's reality by becoming an employee seems to outweigh the benefits of becoming a necessity entrepreneur. In other words, when presented with a choice an individual seeking to satisfy his level 1 to 3 needs will be expected to opt for becoming an employee. Improving his reality by becoming an employee seems sufficient and better suited to satisfy his level 1 to 3 needs than becoming a necessity entrepreneur. Only when there is little hope of (steady) employment, then an individual will turn to self-employment (Evans and Leighton, 1989).

The prohibition an individual seeking to satisfy his level 1 to 3 needs seems to face is that the *benefits of improving his reality* by becoming an employee *outweighs the perceived benefits* he will receive when he *enhances his reality* by becoming a necessity entrepreneur.

Independence entrepreneurship (level 4): As discussed in section 4.1. independence entrepreneurship is also a form of necessity entrepreneurship: the necessity to become independent. As such the same reasoning presented for what prohibits an individual to become a necessity entrepreneur also holds true for an individual who would want to become an independence entrepreneur. There is however one slight difference: having satisfied his level 1 to 3 needs it may seem to the individual that there is not much else he can do to improve his reality. He may want to become self-employed or start his own company (Blanchflower, 2000), but he does not undertake actions to enhance his reality. Instead of applying for a night course in business management he chooses to turn on the television instead. The individual now works in order to maintain his reality.

The prohibition an individual who is seeking to satisfy his level 4 needs seems to face is that the *perceived benefits* he will receive when he *enhances his reality* by becoming an independence entrepreneur *do not outweigh* the benefits he is now receiving as an employee which he needs *to maintain his reality*. The perceived effort needed is greater than the perceived reward.

Empirical research however, shows higher job and life satisfaction for the self-employed (Blanchflower and Oswald, 1998; Van Praag and Versloot, 2007). This is supportive for the proposition that *the actual benefits of an enhanced reality do outweigh the benefits of an improved reality*.

Self-actualizing entrepreneurship (level 5): Being able to become an independence entrepreneur is quite a feat, even in advanced economies where “independence is the most popular start up motive” (Hessels et al., 2008). An independence entrepreneur is more

satisfied and content with his current position in life than individuals in employment (Blanchflower and Oswald, 1998; Van Praag and Versloot, 2007). This rather privileged position in life he occupies in comparison to most of his peers and acquaintances may leave him little incentive to further enhance his reality.

The prohibition an individual who has satisfied his level 1 to 4 needs seems to face is that he *does not perceive enough benefits* to become a self-actualizing entrepreneur *by continuously enhancing his reality*.

Lifting the prohibition

An individual might want to enhance his reality to the next level, but that does not necessarily mean that he will act accordingly. The prohibition the individual (who does not enhance his reality naturally) seems to face appears to be the same for all three levels of entrepreneurship: the *perceived benefits* of an enhanced reality are not enough to elicit action from the individual. The individual opts to invest his time and effort into improving his reality instead, as he is well familiar with the benefits of an improved reality.

This prohibition that an individual seems to face brings us to **implication 9**: *There exists a pathway to becoming an entrepreneur*. When the *actual benefits* of entrepreneurship are made clear to the individual, this paper proposes that the individual *will be more inclined to invest time and effort into enhancing his reality*. When the prohibition is lifted the natural flow of initial reality to maximum reality can continue: the pathway to the enhancement of reality will be free. This can already be seen to some extent in advanced economies where the benefits of a higher education are clear to individuals. Even though it is a long path of continuous effort individuals are willing to complete their degree because they know in the end they will be rewarded. When their education is completed however and they have a steady job with a good pay, individuals seem to be more inclined to improve their reality than to enhance their reality because the benefits of a further enhancement of reality are not clear, while the benefits of an improved reality, like a new car, are clear-cut and direct.

When individuals can not perceive the benefits of an enhanced reality on their own, who then should present to them the possibilities an enhanced reality might bring? When *one individual* is faced with a prohibition to enhance his reality, it may be too bad for him that he was not able to realize his full potential. But what if the *majority of people* in our world are facing this same prohibition to enhance their reality? Should they be left to their own devices or should they be made aware of what they are truly capable of? This will be a question for politicians to ponder over.

We will now continue with the final aspect of entrepreneurship that this paper will discuss: the economical aspect of entrepreneurship on the macro-level. First we will shortly review what we have discussed thus far. We will then examine what the economical impact of entrepreneurship had been on the macro-level in the past and what the impact of entrepreneurship could be in the future.

5.3. The economical aspect of entrepreneurship on the macro-level

The proposed definition of entrepreneurship is “the act of enhancing one’s reality”. As discussed in section 3 an individual’s reality consists of his micro-level reality and the macro-level reality where he is one part of. In section 3 we have also looked at the historical aspect of entrepreneurship on the macro-level. With the proposed definition of entrepreneurship countries can be viewed as entrepreneurs that operate on the macro-level. In the past, the advanced economies of today have enhanced their reality from an agricultural reality to an industrial reality. More recently, Japan and China have shown that even an entire country is capable of enhancing its own macro-level reality in a short amount of time, much like a high growth firm. This macro-level reality enhancement has repercussions for the micro-level reality of the individual. In section 4 we have seen what these repercussions are: individuals in advanced economies seem to be more able to satisfy their level 1 to 3 needs. The macro-level reality enhancement of the country has enhanced the micro-level realities of its citizens. Maslow (1943) proposes that as an individual satisfies his needs “higher” needs will gradually appear. The higher need for esteem and independence can already be seen in advanced economies where large percentages of employees prefer to be self-employed (Blanchflower, 2000) and where *actual* independence entrepreneurship is on the rise (Wennekers et al., 2008). Furthermore, the proposal that the *actual benefits* of an enhanced reality are greater than the benefits of an improved reality seems to be supported by empirical results that show a higher job and life satisfaction of the self-employed (Blanchflower and Oswald, 1998; Van Praag and Versloot, 2007).

In section 5.1 this paper proposed that when the second law of thermodynamics applies to the contained energy form that is our existence, the natural flow of our reality will be from the initial state of reality towards our maximum reality. This natural flow of reality seems to be supported by the continuous progress we have made as humankind and by the continuous progress an individual can make when he enhances his reality.

In section 5.2 we have noted that the progress of an individual towards maximum reality can be seen as how far he has travelled on the path towards maximum reality and that

there seems to be something that prohibits this natural flow. Upon closer inspection of what prohibits individuals to become an entrepreneur it seems that individuals opt for improving their reality as opposed to enhancing their reality. When an individual only has limited time and can only exert limited effort he will choose that which seems to give him the best results. By choosing to improve their reality however, individuals can only experience linear growth as opposed to the exponential growth of an enhancement of reality. This aggregate of all the micro-level reality linear growths can be seen on the macro-level in the linear growth of GDP (PPP) per capita in advanced economies, China being the only exception already mentioned (figure 3, IMF, 2008).

Advanced economies seem to be hovering at level 3 and 4 of Maslow's hierarchy of needs, with the majority of people satisfied in their level 1 to 3 needs and a growing amount of people wishing to satisfy their level 4 needs (Blanchflower, 2000). A word of caution should be issued here. As the desire and need for esteem and independence are growing it might grow to the point that the desire has become stronger than and may even endanger an individual's level 1 to 3 needs. The desire and need for recognition, achievement, independence and freedom might result in arguments with the partner, irreconcilable differences and may even cause extra-marital affairs. This proposition is consistent with empirical results that show a relatively higher divorce rate in advanced economies (Trent and South, 1989) and demands further investigation.

Towards our maximum reality

The empirical results of Wennekers et al. (2008) indicate that the stalemate of linear growth might be coming to an end. They report that after centuries of long decline in the self-employment rate, there is a revival of entrepreneurship in advanced economies as witnessed by an increase in both the solo self-employed and the ambitious, innovative entrepreneurs (Wennekers et al., 2008). Based on the proposed definition of entrepreneurship, Maslow's theory of human motivation (1943), and past research on entrepreneurship this paper has developed a theory of entrepreneurial motivation in section 4.1. The developed theory of entrepreneurial motivation and Wennekers et al.'s (2008) finding that there may be a U-shaped relationship between economic development and the level of entrepreneurship are mutual supportive. In the past, after the macro-level reality enhancement of a successful industrialization, individuals were presented with a choice to work for a wage or to be a necessity entrepreneur. In section 5.2 we have seen that when presented with this choice individuals seem to opt for improving their reality and work as an employee for a wage in

order to satisfy their level 1 to 3 needs. This proposition is supported by the centuries of long decline in entrepreneurship (Wennekers et al., 2008).

When individuals are able to sufficiently satisfy their level 1 to 3 needs, Maslow (1943) proposed that the higher level needs of esteem and then self-actualization will gradually appear. The developed theory of entrepreneurial motivation further proposes that as these needs appear individuals will be motivated to enhance their reality by becoming an independence entrepreneur to satisfy their level 4 needs and when they have sufficiently satisfied their level 1 to 4 needs they will seek to satisfy their level 5 needs and become a self-actualizing entrepreneur. This theory of entrepreneurial motivation developed in section 4 is supported by the revival of entrepreneurship in advanced economies as seen in an increase of the solo self-employed as well as an increase of the ambitious and innovative entrepreneurs (Wennekers et al., 2008).

Implication 9: *There exists a pathway to becoming an entrepreneur*, also seems to be supported by the findings of Wennekers et al. There is a larger increase of the solo self-employed (independence entrepreneurs) than ambitious and innovative entrepreneurs (self-actualizing entrepreneurs) (Wennekers et al., 2008). This paper proposes that as independence entrepreneurship is increasing in advanced economies, the prohibition that individuals face in these economies to enhance their realities from level 3 to level 4 will slowly be lifted. They will be able to witness the actual benefits of a further enhancement of reality first hand through their family, friends, colleagues and people all around them as independence entrepreneurship is becoming more common place. When the prohibition is lifted more individuals will invest time and effort into further enhancing their reality, satisfying their level 4 needs in their own way. Independence entrepreneurship can take the form of a new start-up, but it can also take the form of an employee who independently works on a business idea that will enhance the productivity of the company he works at. By satisfying their level 4 needs in their own way people will become more aware of their own capabilities and limitations. By achieving recognition, independence and freedom on their own terms and through their own effort they would have walked the path of personal growth. Independence entrepreneurs have desired and subsequently achieved those desires by developing and utilizing their own capacities. They may be content now with what they have achieved, but they have been made aware of what they are capable of and may gradually desire more, and more. This *more and more* brings us to the highest level of entrepreneurship, the self-actualizing entrepreneur.

When the prohibition is lifted and individuals at level 4 are made aware of the actual benefits of *continuously* enhancing their reality, this paper proposes that they will be more

inclined to *continuously* invest time and effort into enhancing their reality, thus becoming self-actualizing entrepreneurs. Independence entrepreneurs enhance their micro-level reality in order to satisfy their own need for esteem and independence, macro-level economic growth due to independence entrepreneurs will therefore be limited. Self-actualizing entrepreneurs however not only seek to enhance their own micro-level reality they also are driven and seek to enhance the macro-level reality they are in. In the past, the macro-level reality enhancement of an agricultural reality into an industrial reality in advanced economies was responsible for an exponential growth in GDP per capita (Lucas, 1996). This paper proposes that in the near future a new exponential growth in GDP per capita may occur in advanced economies as more and more individuals who are sufficiently satisfied in their level 1 to 4 needs seek to satisfy their level 5 needs by continuously enhancing their realities, thus becoming self-actualizing entrepreneurs.

What does economics mean for entrepreneurship on the macro-level?

Implication 10 suggests that there exists a pathway to the enhancement of reality. Reviewing the history of advanced economies the first step towards macro-level enhancement of reality seems to be a successful industrialization. Successful industrialization would mean the availability of a steady income for the population of a country. A steady income would then mean that the people of a country will be able to satisfy their level 1 to 3 needs on a *consistent basis*.

The second step seems to occur when the people of a country are sufficiently satisfied in their level 1 to 3 needs. Maslow (1943) proposes that people will then seek to satisfy their level 4 needs of independence and recognition. The developed theory of levels of entrepreneurship proposes that an individual may enhance his reality by becoming an independence entrepreneur in order to satisfy his level 4 needs. This proposal seems to be supported by empirical research on entrepreneurship which shows a revival of entrepreneurship in advanced economies (Wennekers et al. 2008). This second step of macro-level reality enhancement where the people of a country are seeking to satisfy their level 4 needs seems to be occurring right now in advanced economies.

The third step of macro-level reality enhancement entails that the people of a country are sufficiently satisfied in their level 4 needs and seek to satisfy their level 5 needs by continuously enhancing their reality. Wennekers et al.'s (2008) finding that there is both an increase of the solo self-employed and the innovative entrepreneur in advanced economies seems to indicate that this third step of macro-level reality enhancement is also occurring right

now in advanced economies. Wennekers et al's finding that there is a larger increase of the solo self-employed than the innovative entrepreneur seems to support this paper's proposal that when the prohibition to the enhancement of reality is lifted the natural flow of initial reality towards maximum reality will continue. Because there are more independence entrepreneurs than self-actualizing entrepreneurs, in advanced economies people are increasingly made aware of the actual benefits of enhancing their reality by becoming an independence entrepreneur, and to a lesser extent they are made aware of the actual benefits of continuously enhancing their reality by becoming a self-actualizing entrepreneur, thus resulting in a smaller increase of innovative entrepreneurs (Wennekers et al., 2008).

The United States of America's demanding economic lead, Japan's post-war economic miracle and presently China's extraordinary economic growth seems to indicate that this pathway to the enhancement of reality might be very real and more importantly, it may be applicable to other countries.

6. Discussion and conclusion

In the introduction of this paper five major goals were identified that a satisfactory definition and conceptual framework of entrepreneurship should seek to accomplish. Using the insights yielded from examining the three proposed core components we will now evaluate how well the proposed definition and conceptual framework of entrepreneurship were able to meet these goals.

Discussion and evaluation of the five major goals

First, a satisfactory definition and conceptual framework of entrepreneurship should seek to forge a link between the trait approach and the behavioural approach (Shane and Venkataraman, 2000). The proposed definition of entrepreneurship "the act of enhancing one's reality" as developed in section 2 incorporates both the trait approach as well as the behavioural approach. The core component "one's reality" corresponds to the trait approach (who is an entrepreneur?) and was discussed in section 3. The core component "the act" corresponds to the behavioural approach (what does an entrepreneur do?) and was discussed in section 5. The core component "to enhance" and entrepreneurial motivation "to enhance one's reality" was discussed in section 4 and provides the link between the trait approach and the behavioural approach by answering the question of "how and why does a person or country choose to act in a certain way in a particular situation".

The trait approach is more apt in identifying the quality of an entrepreneur by studying the character and traits of individuals. The behavioural approach is more apt in identifying the quantity of entrepreneurs by studying the start up of new businesses. With the proposed definition and conceptual framework of entrepreneurship the trait approach and the behavioural approach are unified; both the quantity and the quality of entrepreneurs can be identified. The quantity of entrepreneurs can be identified by studying the act of reality enhancement, while the quality of entrepreneurs can be identified by studying the amount of reality enhancement.

Second, a satisfactory definition and conceptual framework of entrepreneurship should seek to provide a link between entrepreneurship research and other social sciences (McKenzie et al., 2007). The proposed definition of entrepreneurship consists of three core components each governed by their own discipline. The core component “the act” is governed by the discipline economics. The core component “to enhance” is governed by the discipline psychology and the core component “one’s reality” is governed by the discipline history.

In section 3 the importance of the historical aspect of entrepreneurship was discussed. One’s reality consists of the aggregate of past events on both the micro-level of the individual and the macro-level reality of the country the individual is in. Studying the history of an individual or a country serves as a starting point from which we may understand the present motivations and subsequent actions of an individual or a country.

In section 4 a theory of entrepreneurial motivation was developed based on Maslow’s hierarchy of needs (Maslow, 1943). This psychological aspect of entrepreneurship provides the explanation to what the underlying human motivations are of the entrepreneurial action to enhance one’s reality. Maslow proposes that human needs are arranged in a certain hierarchy and that all the capacity of an individual will be used in order to satisfy his needs. As the individual successfully satisfies his needs, higher needs will gradually appear (Maslow, 1943). Based on Maslow’s hierarchy of needs a theory of levels of entrepreneurship is proposed. The three levels of entrepreneurship: necessity entrepreneurship, independence entrepreneurship and self-actualizing entrepreneurship, seems to be supported by empirical research on entrepreneurship.

In section 5 the physical aspect of entrepreneurship was investigated in order to determine what exactly constitutes an act of reality enhancement. When our reality is viewed as a complex energy form under the second law of thermodynamics it seems that the natural flow of reality is from initial reality towards maximum reality. An individual can not degrade his reality by interacting with the realities of other people or sources of knowledge. He can

only enhance his reality to the point of his maximum reality. By studying the economical aspect of entrepreneurship it seems that there is something that prohibits this natural flow of initial reality towards maximum reality. The *perceived benefits* of an enhanced reality do not seem to be enough to elicit action. When a person only has limited time and can only exert limited effort he seems to opt for improving his reality instead of enhancing his reality. This paper proposes that as this prohibition is lifted, the natural flow of an ever dispersing *and* enhancing reality will continue to the point of maximum reality.

With the proposed definition and conceptual framework of entrepreneurship a link has been made between the scientific disciplines of economics, history, psychology and physics. It will be possible to use the proposed definition and conceptual framework of entrepreneurship to study and make a contribution to other fields of endeavour (McKenzie et al., 2007)

Third, a satisfactory definition and conceptual framework of entrepreneurship should seek to offer insight into how opportunities come into existence as well as how they are recognized (Shane and Venkataraman, 2000; McKenzie et al., 2007). In section 4 this paper proposed that the self-actualizing entrepreneur is the true entrepreneur. The self-actualizing entrepreneur not only seeks to continuously enhance his own micro-level reality, he also seeks to enhance the macro-level reality he is in. Schumpeter's entrepreneur is someone who is innovative by forming new combinations of goods, services, methods of production etc. (Van Praag, 1999). By continuously enhancing his reality a self-actualizing entrepreneur will have more skills and knowledge to form these new combinations with. A self-actualizing entrepreneur will therefore be more likely to create a useful new combination than for example a necessity entrepreneur or an independence entrepreneur who only enhanced their reality in order to satisfy their own need of food, shelter or independence. When a new combination is made, new opportunities for profit may come into existence. Again, self-actualizing entrepreneurs will be more likely to recognize and successfully exploit these new opportunities as they possess more skills and knowledge than a necessity or independence entrepreneur. The proposed definition and conceptual framework of entrepreneurship offers insight into how opportunities come into existence as well as how these opportunities are recognized.

Fourth, a satisfactory definition and conceptual framework of entrepreneurship should seek to provide "insight into the link between micro-level entrepreneurial action and macro-level economic progress" (Low, 2001, p.21). With the proposed definition and conceptual framework of entrepreneurship it is possible to distinguish between different types of micro-

level entrepreneurial actions. Section 4 proposed a hierarchy of entrepreneurship. Necessity entrepreneurship is generally least innovative and contributes only a little to society, independence entrepreneurship is more innovative and contributes more to society, and self-actualizing entrepreneurship is most innovative and contributes the most to society. Not every entrepreneurial action will result in macro-level economic progress as the entrepreneurial actions of necessity and independence entrepreneurs are mostly meant to enhance their own micro-level reality. This paper proposes that the self-actualizing entrepreneur, also known as the high growth entrepreneur, the superstar entrepreneur, the innovative entrepreneur, the Schumpeterian entrepreneur, seeks to not only enhance his own micro-level reality, but also the macro-level reality he is in. The self-actualizing entrepreneur finds himself at level 5 of the hierarchy of needs (Maslow, 1943) and is capable of promoting macro-level economic growth.

Section 5 proposes that there exists a pathway to entrepreneurship and the enhancement of reality. This paper further proposes that by lifting the prohibition an individual faces in enhancing his reality he will be able to progress from his current reality towards his maximum reality. The prohibition individuals are facing in advanced economies of enhancing their reality from level 3 to level 4 and even to level 5 seems to be slowly being lifted as witnessed by an increase in the solo self-employed and the innovative entrepreneur (Wennekers et al., 2008). This paper further proposes that as more and more people in advanced economies are becoming independence and self-actualizing entrepreneurs the actual benefits of continuously enhancing one's reality will be known which will result in a continuing increase of independence and self-actualizing entrepreneurs to the point that the people of a country have reached their maximum reality. This paper further proposes that this macro-level reality transition of the industrial/managerial reality towards the entrepreneurial reality will most likely be accompanied with an exponential growth of GDP per capita as was the case when the agricultural reality transitioned into the industrial reality (Lucas, 1996).

With the definition and conceptual framework of entrepreneurship that this paper proposes a link has been made between micro-level entrepreneurial action and macro-level economic progress.

Fifth, a satisfactory definition and conceptual framework of entrepreneurship should seek to create a unique domain for entrepreneurship upon which future entrepreneurship research can built and focus on (Shane and Venkataraman, 2000). The proposed definition and conceptual framework of entrepreneurship in this paper creates the unique conceptual domain of reality enhancement for the scientific field of entrepreneurship. This paper has explored this new conceptual domain by examining the three core components of the

proposed definition and conceptual framework of entrepreneurship. The ten implications that come with the proposed definition: the act of enhancing one's reality, seem to be supported by insights and results yielded by empirical research on entrepreneurship. Out of the ten implications presented in this paper the **implications 1, 8 and 10** are of such great magnitude that they demand special notice. **Implication 1:** *Entrepreneurship exhibits exponential growth.* **Implication 8:** *There exists a hierarchy of entrepreneurship.* And **Implication 10:** *There exists a pathway to the enhancement of reality.*

With the proposed definition and conceptual framework the unique domain of reality enhancement for the scientific field of entrepreneurship is created. By enhancing one's reality this paper proposes that it is possible for an individual to move up in the hierarchy of entrepreneurship to the point of the self-actualizing entrepreneur at level 5 who is the driving engine behind macro-level economic growth.

Closing thoughts

The focus and aim of this paper was to introduce and demonstrate the validity, consistency and general applicability of the proposed definition and conceptual framework of entrepreneurship. Reviewing the five major goals and ten implications, the definition and conceptual framework presented in this paper provides a solid fit with the insights and results yielded from existing entrepreneurship research. A shortcoming of this paper however is its depth. Due to the conceptual nature of this paper, depth was sacrificed in order to address the entire breadth of the phenomenon of entrepreneurship. Implications 1, 8 and 10 in particular are of such magnitude that in depth research is warranted. Promising venues of future research would therefore include further exploration of the interdisciplinary nature of entrepreneurship, investigation into the different levels (necessity to self-actualizing) of entrepreneurship and the different scales (micro to macro) of entrepreneurship. Possible implications of this research for policymakers include the categorization of entrepreneurship levels for which level-specific policy measures can be designed, the ability to identify the level of entrepreneurship in a region or country so that the best policy measure can be applied to the greatest effect and the possibility of constructing a pathway aimed at fostering the enhancement of both the micro-level reality of the individual as well as the macro-level reality of the country, *towards the point of our maximum reality.*

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Appendix A

According to the estimates of IMF and as seen in graph 3, the U.S.A. might be the first country of the world to exhibit the exponential growth of GDP (PPP) per capita as result of the macro-level reality change of the industrial reality to the entrepreneurial reality.

The history of the extraordinary result of the United States of America as the world's largest economy by a great margin, and the seemingly revival of exponential growth of GDP (PPP) per capita for the near future as estimated by the IMF(2008) warrents special attention.

The U.S.A., an entrepreneurial nation?

Reviewing the history of the United States, the Declaration of Independence can be seen as an entrepreneurial act in and of itself. The famous phrase:

“We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.” (United States Declaration of Independence, 1776)

The United States Declaration of Independence with this famous phrase laid the foundation of what would later become the largest economy of the world. People from all over the world came to the U.S.A. to “live the American Dream”, to pursue their happiness.

On “the pursuit of happiness” U.S. Supreme Court Associate Justice Stephen Johnson Field (1883), in his concurring opinion to Associate Justice Samuel Freeman Miller's opinion, wrote:

“Among these inalienable rights, as proclaimed in that great document, is the right of men to pursue their happiness, by which is meant the right to pursue any lawful business or vocation, in any manner not inconsistent with the equal rights of others, which may increase their prosperity or develop their faculties, so as to give to them their highest enjoyment.”³⁴

This inalienable right of men to pursue their happiness is in essence similar to the definition of entrepreneurship that this paper proposes; the act of enhancing one’s reality. Seen in this light, the people that came to the U.S.A. to “live the American Dream” have all undertaken the entrepreneurial act of immigrating for a better future.

The Census Bureau of the U.S.A. estimates that the US population will grow from 281 million in 2000 to 397 mil in 2050 with expected immigration, but only to 328 mil with zero immigration (Williams, 2004, [page 83](#)). Clearly not all immigrants will become the next Bill Gates, but some might or their offspring might. Fact remains that there is a continuous influx in the U.S.A. of new people who have decided to leave their homeland for a better tomorrow. Each bringing with them their own unique histories, talents, hopes, and dreams for the future.

Appendix B

The following scenario of entrepreneurial motivation on the micro-level is developed based on Maslow’s hierarchy of needs (1943). The developed scenario is a fictional depiction of how one individual from not even being able to satisfy his level 1 needs slowly moves up the ranks, what his situation is at each level and his motivations to further enhance his reality. Unfortunately, a fictional scenario is required as such success stories are rare in reality.

The history and motivations of an individual: A story

His history, the aggregate of his past events has brought the individual to where he is today. Today, one individual might find himself at level 1 of the hierarchy of needs. We will call this individual Leon.

Leon sleeps on the streets, not a dime in his pocket, and not having eaten for days his hunger consumes him. Hearing on the streets of the possibilities of obtaining a microcredit, he subsequently manages to obtain one. With the money he buys some good quality wood and equipment to carve figurines. On the local market he is able to sell his carved figurines for a profit to tourists. He is now a *necessity entrepreneur at level 1*.

³⁴ *Butchers’ Union Co. v. Crescent City Co.*, [111 U.S. 746](#)

A month has passed, he is still living on the streets, but he now enjoys regular meals. He has already paid off his microcredit, and is saving money for a place to live. When after another month he has found an inexpensive and cosy little place near the local market he pays two months of rent upfront and moves in. Leon is now a *necessity entrepreneur at level 2*.

A year has passed since he moved in to the little place he now calls his home. Leon had always been good with his hands. That was the reason why he decided to carve figurines. At first he was only able to sell his works for a little profit, but as his skills increased so did his profit. Not only is he now more skilful in carving, he has also become more skilful in the art of conversing and haggling. Tourists that had visited the year before almost did not recognize Leon were it not for his unique style of carvings. Flesh on his cheeks, a well rested and satisfied demeanour, Leon seemed almost like another person. And he was talkative too! Upon further inquiring it appears that he has become quite the celebrity on the market with his now exquisite carving and pleasant smile, even locals have become his customers. What Leon does not tell the tourists however, and the true reason for his radiant appearance, is that he has found the love of his life, and she him. Being able to provide for his level 1 to 2 needs with no problem, Leon now contently dwells at level 3, and *ceases being a necessity entrepreneur*.³⁵

Leon's daughter is already one year old and making her first attempts to view the world standing. Five years ago he was pleading, pleading and begging for money on the streets to survive another day. And now, five years later, the dirty little rug he used to display his first carvings on has grown into a little shop. He is together with the love of his life and his little girl is the sweetest thing you will ever see. As he is sitting at the counter waiting till it is time to close shop he looks outside. There it is, there on the market place he sold his first batch of figurines. He remembers how proud he was at the moment his last figurine was being sold. Looking at that very same figurine, standing proudly and prominently on his shop counter, he could only manage a wry smile. He enjoys a steady income, has no major health problems, owns a house, he has a loving partner and the mischievous, knowing sparkle in the eyes of their little daughter tells him she might be wise beyond her years, or simply up to no good. He knows he is very fortunate, he should be elated. Yet, everyday when he comes home from work, all he is able to do is complain. How his work is undervalued, how his customers do not recognize his talent, how he knows that greater things are in store for him if only he

³⁵ Under the proposed definition of entrepreneurship an individual ceases being a necessity entrepreneur when he has completely satisfied his level 1 to 2 needs. The entrepreneurial act of acquiring a love interest can then be seen as a 'graduation' of sorts, the individual has successfully satisfied his level 1 to 2 needs and is known to be able to provide for himself and his family.

could present his work to a true connoisseur. ‘How would you find a true connoisseur’, his love would say, ‘why should such an important person come to our little shop?’³⁶

Leon managed to rent a small booth to display his best work at an international exposition for the arts. It is already the third and last day of the exposition so there is not much traffic. In a far off corner of the great exposition hall a little girl with in her hands her most favourite figurine was running to her parents, telling them of all the wonderful things she had seen. Leon, smiling, patted his daughter on the head with one hand. His other hand however, tightly grasped around the hand of his love, betrayed his true emotions. It is the first time he had been outside his hometown. As he looked out of the window of the airplane, for the first time in his life he saw the real ocean, as far as he could see, only a shimmering, brilliant blue. At that moment he realized, the world is a big, big place. At that moment he had his first doubts, was he really as talented as he thought he was? What if his work is not recognized? In order to pay for the plane tickets, hotel stay and exposition costs he had applied for a credit with his house as collateral. Only a few more hours until the doors close. Leon, at this moment, is an *independence entrepreneur at level 4*.

On a particular sunny day a young boy passed by a rundown electronics store. Captivated by a peculiar looking figurine that was showing on a small television set, the young boy walked inside the store for a better look. There was a bigger television in the store with the sound on. The man on the screen spoke in a language the boy did not understand. ‘He used to own the little shop next to me’, the store owner said to no one in particular. The boy looked up at the store owner, not knowing whether to believe him or not. Looking back at the television screen, the boy found that the subtitles were in his native language. It read: ‘We really had given up all hope.’

³⁶ The desire and need for recognition, achievement, independence and freedom as a ‘higher need’ than love (Maslow, 1943) might result in arguments with the partner, irreconcilable differences and even cause extra-marital affairs. This proposition is consistent with empirical results that show a relatively higher divorce rate in advanced economies (Trent, and South, 1989) where level 1 to 3 needs are mostly satisfied. This proposition is also consistent with the fact that there always exist the chance of business failure, yet the individual acts nevertheless, putting his potential livelihood on the line.