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## THE CONCEPT-CREATIVE BUSINESS MODEL AS SUCCESS FACTOR

### ABSTRACT

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Current discussions about entrepreneurship are framed primarily in terms of business administration. But entrepreneurship is more: a complex, dynamic and multifaceted phenomenon with a creative dimension that is in parts beyond economic-rationale discourse. Business models can be built upon something else than patents or research findings by transforming genuine concepts into entrepreneurial activity.

Unconventionality and original thinking are essential factors for entrepreneurial success. In a world of ever-easier division of labor, entrepreneurs have the possibilities to use existing components to create new business models. This will open up perspectives for many more people to participate in entrepreneurship than previously imagined.

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*Key Words: business models, creativity, opportunity recognition, success factors, Schumpeter*

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*“The essence of entrepreneurship is being different.”*

*Marc Casson*

## **CREATIVITY AND INTUITION AS CORE COMPETENCIES OF THE ENTREPRENEUR**

Numerous empirical studies (the seminal ones are Hornaday 1988, Whiting 1988, Kao 1991, Göbel 1998) reveal that entrepreneurs are more creative than other people. One's creative potential becomes evident early in life, and it is fairly unrelated to compulsory education and professional training.

The opportunity to unleash one's creative potential is, besides the pursuit of independence, a major motive for becoming an entrepreneur (Vesalainen and Pihkala 1999). In fact, the most successful business founders are often less motivated by the prospect of making money than by the prospect of creating and developing something new. This is the fountain of their energy, and it shapes their perception of success. To make their ideas come true is inspiring for them. This insight stands in marked contrast to neoclassical theories of economics, which stress profit as the main incentive for human action.

Entrepreneurs enjoy creative thinking and acting. They value change; they like to develop ideas and to solve problems, as several studies point out (Timmons 1978, Sexton and Bowman 1986, Goebel 1990, Kao 1991, Caird 1991, Dyer 1992, Ripsas 1997, Faltin 1998, Beattie 1999, Jacobsen 2006). This attitude allows them to cope successfully with quite different situations. Rather than shying away from difficulties, they deal with problems head-on, thus turning them into beneficial opportunities. Successful entrepreneurs consider transformation and change natural, whereas other people tend to feel threatened by them (Metzemaekers 2000, Markman, Balkin, and Baron 2002). They tend to be more open to new options than other individuals are (Burmeister and Schade 2007). In this regard some alternate umbrella terms are often mentioned: flow (*Ideenfluß*); flexibility; originality; talent for coming up with inventive definitions (*neue Definitionsfähigkeit*); responsiveness to problems; belief in one's strength; tolerance of ambiguities; responsiveness to emotions; listening to the subconscious ('gut feeling'); intrinsic motivation; the ability to process many ideas at once; powers of concentration, and visual thinking.\*

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\* Stressing the importance of conceptual creativity and business models overall seems to be more prevailing in continental European literature, a large body of which is usually not recognized and

Creativity exists autonomously. Similar to the behavior of subatomic particles in Heisenberg's indeterminacy principle, the more precisely it is determined, the less precisely it is known. However, it is obvious that successful entrepreneurs often have a distinctive perception. They often possess the ability to identify new markets and to anticipate future needs. Many successful entrepreneurs sense what will go down well: they have acquired a feeling for particular cultures, current trends, and symbols. Unlike other people, they are able to determine laws and structures behind seemingly unrelated events. Their thinking often relies less on hard facts than on prognoses and speculations (Timmons 1984, Mitton 1989, Drucker 1985, Timmons 1994, Carland, Carland, and Stewart 1996). One could even go so far that it is this intuitive ability that makes entrepreneurs scholars of the arts and humanities, rather than business managers (Hansen 1992, Faltin 2001, Gibb 2002).

Closely connected with creativity is entrepreneurial intuition. It may be described as "the dynamic process by which the entrepreneurial alertness cognition interact with domain competence (e.g., culture, industry, specific circumstances, technology, etc.) to bring to consciousness an opportunity to create new value" (Mitchell et al. 2005, 667). Intuition, therefore, can be understood as a controlling, comparing, and mediating component of the entrepreneurial process.

However, the power of entrepreneurial intuition has rarely been empirically proven. Today, only a few major studies note that entrepreneurs operate more intuitively than managers (Allinson et al. 2000), and that 'gut feelings' strongly influence entrepreneurs' decisions (Beattie 1999). Research has addressed the importance of intuition for entrepreneurship time and again (Bird 1988, Allison et al. 2000, Markman, Balkin, and Baron 2002), but findings have remained equivocal. Intuition is most evident in a number of very successful companies. Prominent examples that reshaped their fields of business: Ingvar Kamprad started IKEA with an idea that furniture can be constructed and sold with the aim of empowering clients to assemble the final product themselves; the Aldi brothers with their ideas of saving on shop decoration and facilities; Gottlieb Duttweiler on saving costs by simplifying retail business that made him the number one retailer in Switzerland. The Italian company GEOX highly impacted the shoe market by introducing a new concept of soles. Henry Ford became successful primarily because he did not

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taken into consideration by Anglo-American authors. Thus even if our approach might present a primarily continental European point of view, we think it should be included in the body of related literature on the entrepreneurial process.

regard the car as a luxury good; instead he realized its huge potential for the mass market. Aenne Burda, with her sewing patterns, grasped the opportunity to open up a completely new, up-to-date world of fashion to women in post-war Germany that made her publishing business one of the successful ever in the country. Dietrich Mateschitz realized the potential of Red Bull as a lifestyle product. These are only a few random examples out of many.

### **OPPORTUNITY RECOGNITION: AN ELUSIVE COMPETENCE**

Entrepreneurship is often described as the recognition and seizing of opportunities. It is said that in principle, entrepreneurship is nothing else than the “relentless pursuit of opportunity” (Stevenson et al. 1994, 5). But there is also the chance of creating opportunities by envisioning new products and services. The essence of both is the creative and intuitive talent. Discovering good market opportunities is the fertile soil for success (Ardichvili, Cardozo, and Raym 2003, Gaglio and Katz 2001, Shane and Venkatraman 2000). Creating opportunities is less researched but – as shown in the examples above – opens up promising avenues as well.

Opportunities may be found in very different places: in unexpected events, in demographic changes, in disparities between producers and consumers, in changes of popular attitudes, in the pressures of competition, in transformations of manufacturing processes, or in new market structures. They are in products or services that promise an additional value for their buyers or users.

As (Gaglio 1997) already pointed out about ten years ago, the question of where opportunities come from has been one of the most neglected issues in entrepreneurship research, along with the significance of creativity and intuition. (Kirzner 1973, 1979) following Schumpeter, had already developed the concept of ‘entrepreneurial alertness.’ It assumed that entrepreneurship and entrepreneurial success result from objectively recognizing and judging market opportunities and from the ability to claim and utilize resources (e.g., underpriced products or factors in production). Until today, however, the subject has not been dealt with extensively.

Hence, the issue of how to recognize and utilize opportunities has been largely ignored. Recently, the cognitive process of the entrepreneur has been brought into focus (Epstein 1996, Baron 1998, Mitchell et al. 2002, Baum 2004), as has the issue of how an entrepreneur thinks and reasons in order to recognize and evaluate innovative and

success-promising market opportunities. Whether or not someone is able to recognize opportunities depends (according to this thesis) on differences of cognition, i.e. each person's distinct knowledge, behavior, and thoughts.

The most important insight of this approach was that opportunity recognition is closely connected to the distribution of information. Individuals come up with entrepreneurial ideas because their knowledge (e.g., about the desires and problems of their customers) enables them to notice market opportunities (Shane 2000, Shepherd and DeTienne 2005). The higher the level of formal education and general knowledge, the more distinct the ability to determine entrepreneurial opportunities. The paradox, however, is that a good knowledge base may support as well as obstruct the originality of new ideas (Ward 2004). Thoughts like "That doesn't work!" or "That's the way it's always been done!" are mental barriers that spoil a creative approach to solving problems.

Although objective information is crucial for opportunity recognition, individuals perceive chances very differently, depending on a variety of circumstances – their networks, for instance, or past experiences, or their private problems (Hambrick and Crozier 1985, Smith et al. 1988, Chandler, DeTienne, and Lyon 2003, Arenius and De Clercq 2005). They recognize opportunities in connection with information and experiences they already possess. Human beings notice only the things they have already known (Theodor Fontane). What is important, therefore, is their awareness of macro-economic changes, as well as their ability to think counter-factually and to imagine scenarios (Gaglio and Katz 2001, Gaglio 2004). The evaluation of market opportunities is also affected by the perception of one's impact on the final outcome ('illusion of control,' 'self-efficacy'), by regretful thinking, by the belief in the 'law of small numbers' (Keh, Foo and Lim 2002, Markman, Balkin, and Baron 2002, Tversky and Kahneman 1971), or by the hope for substantial financial rewards. Opportunity recognition is not as much an objective process (as Kirzner (1979) assumed) but highly subjective and strongly dependent on tastes, preferences, and prejudices as well as on each individual's distinct personality.

## **CONCEPT-CREATIVE BUSINESS AS FOUNDATION FOR SUCCESS**

It is generally accepted among researchers that the business idea itself is not a decisive factor for the success of a start up – "In entrepreneurship, ideas really are a dime a

dozen” (Bygrave 1994, 13). That the importance of ideas is overestimated is a widely held view: good ideas are just tools; the important thing is to turn these ideas into practical reality and to build an economically sound business. This requires entrepreneurial as well as management skills, which are believed to be much more crucial for success than creative ideas. Venture capital firms usually prefer first-class teams with second-class ideas to first-class ideas presented by second-class teams.

Is the business idea really of secondary importance and simply a means to an end? Is it sensible to believe that founders just bring ideas with them, that they are just there and just another means among many others? Hardly so. The spectacular downfall of several startups which had the most gifted managers and excellent funding suggests that successful start-ups require more than talented managers and money – they need a bright idea; a smart, clear-cut, and fitting business model (Faltin 2001); a transparent and plausible concept which encapsulates the endeavour’s purpose and significance.

An entrepreneurial idea and the complex and multifaceted business model it generates are the ‘genetic code’ of an enterprise; its mental, spiritual, and physical center; the “rough diamond,” the “glue that holds all parts of the system together” (Heinrich 1990). Ideas are open-ended towards their goal. They provide a fundamental direction; they motivate intrinsically and shape extrinsically because they assign the meaning a venture will have in the market. Creative ideas bring something essentially ‘new to the world’ (cp. Pierer and Oetinger 1997). They keep the wheels in motion and effect the crucial ‘creative destruction’ that Schumpeter had in mind. Ideas turn ordinary things into something surprising and unexpected. They alter the perception of reality, and in the long run they exert an important influence not only on personal life and business but on society as a whole (Drucker 1998).

The ability to create such ideas and business models is rooted – at least in part – in intuition and creativity. By combining creative thoughts with strategic elements, the entrepreneur develops not only the business idea properly, but also continuous opportunities for improving the product or service (Fernald 1988, Amabile et al. 1996).

Ideas frequently result from intensive and persistent work in a certain field of specialization, which is often connected to the professional environment or to the hobbies of the entrepreneur. Here the entrepreneur possesses detailed information and therefore is able to recognize decisive advantages. Entrepreneurs are enthralled and driven by their ideas. They brood over them; all their thoughts revolve around the same problem. They

are infatuated with their idea (Goebel 1990); their behavior resembles an obsession and they are frequently regarded as 'weird' by 'ordinary' people. Many entrepreneurs had initially been considered as crazy; some even had to endure periods of rejection to the point of social exclusion (Fiet 1996, Faltin and Zimmer 1996, Faltin 1998, 2001).

The most crucial criterion for evaluating an entrepreneurial idea is whether it meets the consumers' needs and wants. The quality of an invention or new technology is secondary for entrepreneurial success; most fundamental is product acceptance. If there is no obvious advantage to a new product or service, there is no reason for the consumer to switch to a new provider or to spend money on a new offer. Without a clear advantage, a new business venture will hardly be successful against its competitors. Businesses already established in the market have their regular customers; they are familiar with the idiosyncrasies of their industry; they possess vast experience and assets, and they are able to calculate risks much better than newcomers. In short, established businesses enjoy considerable advantages in all respects (Faltin 2005). One needs to come up with something extraordinary to succeed in the market (Casson 1982, Szyperski 1990, Eberhart 2000, Koeller and Lechler 2003).

Extraordinary ideas spring from vigorous and creative thinking about opportunities for influencing our environment and society, from satisfying specific needs and solving substantial problems. This could be called 'opportunity creation.' The novelty of an idea lies in its degree of innovation. Innovations are hardly ever completely 'new' products and services but rather transformations or new combinations of things already existing; they consist of different approaches to age-old problems. Entrepreneurial ideas "are pragmatic rather than dogmatic and modest rather than grandiose" (Drucker 1985, 254). Innovations also result from the formation of new markets, from applying already existing products differently, from more competitive processes of manufacturing, from different distribution systems, from new strategies of marketing, or from transferring certain business models from one industry to another (Bygrave 1994).

To avoid misunderstanding: of course there are alternative ways to a thriving business venture than developing a creative business model. A small diner can also be successful if it has the right location. A 'me, too' idea that only duplicates something that already exists, or an import and export company that utilizes arbitrage opportunities, can be profitable and promising as well. The more elegant and much less strenuous path, however, starts

with creativity – or, to be more precise, a creative concept that is the foundation of a business.

The innovative element of one's business idea is thus a reliable and important factor for survival. Self-employed, small business owners who have one of the many copy shops, boutiques, or florist shops, translation bureaus, or web design firms work hard for relatively little money because they do not have an obvious market advantage; there is nothing unique in their approach that makes them stand out against intense competition. A business founder's trump card is innovation, and its evident market advantage. "Hit them, where they ain't," as Drucker put it (Drucker 1985, 220).

Findings based on these concepts have hardly been discussed, mostly because their essence seemed too "trivial". But their business models should gain a lot more attention. Very successful examples from Germany like the discounter Aldi, the worlds largest Darjeeling-importer Teekampagne and the street furniture manufacturer Wall AG, as well as some of the new and extremely successful Internet-businesses like Skype, Spreadshirt or Youtube show that combining already existing features in a new way is one of the most sensible and easy methods of successful entrepreneurship.

The entrepreneur's business model is much more important – macro economically as well as micro economically – than previously assumed. Macro economically it is important because people's desire to make their dreams and ideas come true is an essential driver in the general economic process. Only through innovations can new value be created; thus new resources are opened up or existing resources are allocated for new purposes (Schumpeter 1911). Micro economically, the business model is important because it is the very core of a new venture, pointing its direction and containing everything to satisfy customer needs. Not only that: the business model is also important because transforming ideas into practical reality is the most crucial motivation for an entrepreneur to start a business in the first place.

To incorporate business models and market opportunities in models of entrepreneurship has often been suggested by researchers (Shane and Venkataraman 2000, Gartner 2001, Jacobsen 2006) but rarely been accomplished; Timmons (Timmons 1994) and Bygrave (Bygrave 1994) are laudable exceptions. This is astonishing because entrepreneurship and entrepreneurial success are particularly dependent on creating a sound business model and evaluating market opportunities.

## **DEVELOPING CREATIVE BUSINESS MODELS**

When apparently straightforward innovations are introduced, one often wonders why one has not come up with the idea oneself. Products and services often result effortlessly and logically from pressing problems. Business ideas often arise from very simple thought processes. However, the people who engaged in them brought an extraordinary intensity to the subject. After long deliberations, they arrive at a business model which appears to be simple but which in fact is extraordinary compared to pre-existing solutions. Frequently, the most startling innovations are only a short step away from what is already known and from what one is accustomed to.

Does entrepreneurship truly require extraordinary and extremely creative individuals? No, it does not. All of us are engaged in activities that are creative to a certain extent every day. Each child is creative and born an artist. The problem is to stay an artist when growing up, Pablo Picasso once noted. Of course, not all people are equally creative. Often, however, the innate potential for thinking and creating is just not developed but obscured and blocked; neither supported nor encouraged nor permitted. But creativity can be trained – perhaps not in a crash course, but surely in a longer process. Creativity is not a mystical, God-given talent, but a competency which can be systematically developed. In the face of higher standards of education, rising consumer demands, and changing values, to mould this ability into economic business models is a promising, yet neglected, skill (Faltin 2001, 2005).

Creative processes can be initiated through careful problem analysis, counter-factual thinking, visualization, or brainstorming – ways of thinking that are not hard to learn and apply. The simple (and often frightening) request to ‘just be creative’ and ‘think differently’ is not enough.

The obvious first step is to apply one’s brainpower – a considerable inner resource, free of charge, and almost always at hand. If you have ten hours to cut a tree, you should spend nine hours to sharpen the axe, Abraham Lincoln advised. But, as trite as it may sound, thinking is not easy at all but hard work. And, as Henry Ford assumed, this is probably also the reason why so few people devote themselves to it. A creative entrepreneur thinks constantly and persistently (Goebel 1990). He or she keeps on asking the following questions: Where is the problem? Who is affected by it? In what way does it affect someone? How can it be solved? What costs are involved in a possible solution? Is there a market for this solution? To distill this into business models, one needs a high

degree of curiosity, a playful approach, and – above all – persistence because not every question immediately leads to a solution and not every idea is good right away.

At the beginning you need a clear and smart problem analysis, requiring all kinds of information about the problem and a description of the initial situation from different points of view. One should be sceptical of ready-made problem definitions – problems may result from processes; they may be side effects of something; they may even be the result of a completely different event. A wrong definition leads to the wrong track and narrows the range of possible solutions. Rational thinking, not conventional thinking (Faltin 2001), is required.

### **VISUALIZATIONS AND COUNTER-FACTUAL THINKING IN THE PROCESS OF DEVELOPING IDEAS**

For the prospective entrepreneur it is wise to pursue many paths mentally instead of physically. Recognizing innovative market opportunities consists of questioning the already existing, to develop alternatives, and to learn from mistakes.

“What would the world look like if I sat on a beam of light” – these were 14-year-old Einstein’s first thoughts on the theory of relativity. “What if...?” Day after day we imagine what could happen or has already happened to us in certain situations. To immediately consider alternatives if faced with a problem and to choose the most practicable course of action – this mental alertness can be trained. This also applies to the skill of envisioning an important meeting in the future, and drafting suitable answers in advance to all sorts of questions. Even past performance can be reassessed: what could have been said or done; what would have been the result?

Counter-factual thinking, a particular form of visualization, is also an effective method of making educated guesses about the consequences of our actions, since it refers to causal connections (Gaglio 2004): What needs to be changed to arrive at a different result, or to optimize future behavior? “I have had that for less!” or “There’s a better and easier way to do it!” – these notions probe previously accepted wisdom and reevaluate economic thinking and acting. The insight that something can be done differently, better, or more cheaply is often the origin of a new business idea.

These lines of thought are sustained by entrepreneurs’ strong belief in their ability to achieve what they want and in self-efficacy, i.e. the belief that one’s actions influence the final outcome considerably (Baron and Markman 1999, Bach and Krause 2000). Especially

in the face of unexpected negative events, unwavering faith in one's skills and the self-confidence that results from it (whether founded or not) are obviously crucial for success.

## **TECHNIQUES OF FREE ASSOCIATION FOR DEVELOPING AND IMPROVING BUSINESS MODELS**

In our 'Laboratory of Entrepreneurship' we have seen over the years that brainstorming is a successful method for developing and refining business models. The participants of our 'laboratory' are encouraged to unleash their thoughts and ideas, to let them flow in every possible direction, to think beyond customary strategies of problem solving – without critical assessment or discussion at first.

A mind-mapping technique is then used to order the initial thoughts and to apply logic: the issue to be tackled is put into the center and lines are drawn to associated issues, from which yet more lines branch off.

Our observations confirm that free association works better in dialog, especially in a context where participants come from diverse fields, with different backgrounds and diverse experiences. The results achieved are often astonishing: even with large groups improvements to and solutions for existing problems can be developed and business models initiated in a very short time.

## **DETERMINANTS OF A GOOD BUSINESS MODEL**

### **Business model needs to mature**

Although creativity can be stimulated and spurred by the techniques we mentioned, it cannot be forced. One has to wait and be patient until it takes effect. The same applies to business models: they need time and tranquillity to grow. It is not the inspiration of genius, not the singular idea, but it is perpetual and stubborn work, down to tiny, meaningful details, that transforms a good initial idea into a brilliant business model. This requires stamina and determination; it is often arduous but can also be enjoyable (Gratzon 2004).

The saying used to be "the big fish eat the small;" now it is "the fast fish eat the slow." But slowness need not be a disadvantage: if it does not concern a technical patent or an invention with a high risk of obsolescence, it might indeed be sensible to propose a full-fledged business model that has been carefully thought through and often consists of thousands of information bits (Schein 1983).

The ability to take one's time should be cherished and kept even after the formation of a business. Besides working 'in' the business, working 'on' the business is one of the most important competencies of an entrepreneur. Distance and leisure are crucial to being able to recognize novel opportunities and to astonish competitors over and over again. For how can you keep your eye on the horizon and recognize new developments, if you are completely absorbed in managing your business?

### **Simplicity is an advantage**

It makes sense to keep the concept as simple as possible; simplicity is the key to a refined business model. If you can describe its very essence in a few words, the customer can envision it and understand its advantages. Often, however, a clear-cut idea emerges not until the end of a thinking process; simplicity requires hard work. You need to think through all aspects of the business model; all elements need to be reduced to their core: the core of the clear market advantage, the new solution to the problem, the better quality, or the lower price.

A simple business model is much easier for the founder to handle as well. Complexity demands more professional competence. Complexity is harder to control and carries a higher risk, because experienced competitors are usually far ahead of the newcomer.

### **“Go for a cause”**

Figures are rarely an object of devotion. People are eager to champion a sensible and winning idea. You just have to provide them with opportunities. Then hard work is its own reward (Heinrich 1990). “Make meaning. Go for a cause.” – That this is the most convincing formula for success is also the conclusion Guy Kawasaki purports (Kawasaki 2004, 3-4), himself a successful business founder and consultant, who played an important role in the building phase of Apple.

Enthusiasm, spontaneity, and passion are more important to entrepreneurs than money or security. Entrepreneurs are driven by the prospect of developing their abilities and talents, of transforming ideas into practical reality, of being their own boss, and of achieving mental and physical well-being in the form of satisfaction. To them financial success is often merely a measure and an affirmation of their entrepreneurial performance (Jacobsen 2006). Ambitions to found a business do not decline but rather increase with

the prospect of working as an employee (Taylor 1996). Self-employment, therefore, cannot remedy rising unemployment – quite the contrary.

According to the futurist Horx, our culture will breed a type of entrepreneur whose motivation is not just money; someone whose drive for excellence is powered by ambition – but ambition in a new, qualitative sense; someone who seeks to fashion life as a fascinating work of art (Horx 2004).

Here are great opportunities: for combining idealism with a commitment for a better society, joyful economizing, and imaginative and creative use of resources. Why not simply start with making an existing good product more affordable instead of inventing ever new wants and desires? In this way, new business models emerge that appeal not only to the entrepreneur but to the customers as well.

### **Division of labor: necessity and opportunities**

No human being and no entrepreneur can know everything. Although, of course, one needs a base knowledge of economics and management in the modern business world, it is a mistaken belief that one needs to know every aspect of marketing, controlling, tax, or labor law. Each of these disciplines is so highly specialized that it is impossible for a single person to acquire the skills needed to master all of them. Even getting just a broad general overview poses the dangers of overburdening the founder or resulting in amateurism.

Entrepreneurs need to know different things. They need to be able to recognize market trends and changes; to provide plausible explanations of their entrepreneurial concept to customers and employees, and to motivate them. They need to be able to ‘lead’ their businesses, which is fundamentally different from organizing and administering daily business routine.

Research from the English-speaking world distinguishes between the tasks of the entrepreneur and those of managers. Not only do practical and organizational reasons permit this differentiation, but the differentiation is absolutely necessary because the demands on entrepreneurs and on managers are so different. Whereas entrepreneurship is a creative activity, business administration requires the ability to organize, to control, and to manage. Most people are not equally gifted at being both entrepreneurs and managers; attempting to be both would be asking too much of the founder. If one agrees with this argument, one arrives at the necessity for a division of labor, which frees founders to focus on the creative and inventive aspects they are best at (Faltin 2005). The ability (and

the willingness) to delegate certain things to others is a crucial competence of entrepreneurs.

In the age of new media and standardization, outsourcing becomes easier and safer. Modern markets are open and transparent; fulfilment is professional and secure. Even small businesses have access to resources equal to those used by big companies. On the Internet communication and cooperation with people across the globe is almost free. Increased market transparency allows us to compare prices more easily. Service providers of all kinds have sprung up – be it in accounting, logistics, or brokerage. Information about the quality of these service providers can easily be gathered by asking colleagues, reading literature, or using the Internet. It is the duty of entrepreneurs to select the best service provider, not to do the work themselves.

A composer cannot play all instruments; a ship captain cannot be all in one person: machinist, software expert, and navigator. It is crucial to know all the instruments (Faltin 2005), and to be able to combine, coordinate and fine-tune them – not to play each of them to perfection. A ‘mix of skills,’ the ability to acquire a broad knowledge, is often much more important than special knowledge (Jacobsen 2006).

## **RESULTS**

Entrepreneurial thinking, creativity, taking initiatives, and risk-taking are invoked ad nauseam. However, bureaucracy and social conventions still conspire against the nonconformist thinker, the creative maverick, the founder with imagination. This is a huge problem because entrepreneurship is first and foremost a creative skill. The creative act of starting something new requires inspiration, intuition, and imagination that extend to the social and cultural environment. To approach the world with an open mind and without prejudices; to recognize opportunities; to be innovative in choosing one’s means; to operate in response to the customers’ needs and wants – these are factors of success.

Creative people have long been considered inferior to managers, and business administration was valued more than creative people like Henry Ford, Anita Roddick, and Richard Branson. But almost any person can become creative by using clear problem analysis, visualization, counter-factual thinking, or at least acquire creativity and intuition in his or her economic transactions.

In Germany, it is considered extraordinary and extremely risky to act on one’s own, to take charge of one’s life, and to found a business. Small business ownership or betting on

arbitrage effects is indeed quite risky, because the individual has no distinct competitive advantages. The strains and stresses of a 16 hour workday will effectively obliterate any inspiration and intuition. If, however, the venture puts trust in innovation, and a convincing, systematic, and market-compatible business model, the risks of becoming an entrepreneur decline. On the contrary, it is astonishing how easy it is to conquer an established market segment with a simple, well-structured, and stirring business idea.

It is not compulsory to have a degree in management. Products and services are easy to obtain thanks to the new media, quality control, and standardization. Division of labor is possible and necessary. It allows the entrepreneur to focus on his or her areas of strength: on developing ideas, leading the business, and keeping a large perspective.

That the resources of many entrepreneurs are limited is also not too much of a problem. Their creativity helps here as well: they quickly acquire new knowledge and skills, and they find innovative ways to save money and to put their restricted means to good use (Stevenson and Gumpert 1998). Here, too, necessity is the mother of invention.

Many people in Germany, however, consider it unrealistic for them to actively partake as vendors in the market – perhaps only because they are not yet familiar with the opportunities and conditions in this field. The true challenge is to act out one's independence and individuality with unorthodox ideas – not only in one's leisure time but also in one's professional life, and thus to stimulate the economy. The market thrives only through active participation. In this aspect, the economic system is similar to the political system. Democracy depends on the contest between parties and political programs; the market prospers by the contest of economic ideas and concepts.

## **IMPLICATIONS**

### **Implications for teaching and research**

Since 1998 entrepreneurship has gained much ground in German curricula. While there was only one professorship in entrepreneurship that year, in 2004 there were 45 filled positions, 11 advertised vacancies, and four positions in the planning stages – most of them in practitioner-oriented colleges (*Fachhochschulen*) in West Germany (Klandt, Koch, and Knaup 2005).

Most of these professorships are located in business departments. Our essay, however, has shown that business administration and entrepreneurship are two very different disciplines. Historically, business administration grew out of the needs of big firms; it

deals with managing organizational complexity and requires regulating, controlling, and administrative skills.

Entrepreneurship, by contrast, requires something different: a creative and innovative mentality. (Gibb 1999, 2002) highlights the problem of distinguishing the structure and performance of large companies from that of 'entrepreneurial firms.' Whereas 'corporate firms' emphasize order, clear structures, rules and regulations, strategies, transparency, information, and internal dependencies, entrepreneurial processes are random, informal, intuitive, tactical, holistic, and directly dependent on networks and customers.

Entrepreneurship, therefore, cannot be conceived solely in terms of business administration, as researchers have frequently done (e.g., Klandt 1999, Blum and Leibbrand 2001, Dowling 2003). Teaching entrepreneurship or 'entrepreneurial thinking' (and not just knowledge 'about' entrepreneurship) requires a separate, independent, interdisciplinary approach and the development of entrepreneurial thinking in all kinds of disciplines. The attempt to turn all founders – whether they be computer scientists, engineers, or philologists – into business managers is neither sensible nor does it meet the societal problems of our time. Those who come up with creative ideas are often overwhelmed by the management tasks required of them. They are discouraged before they have even started to develop the idea of founding a business.

It is therefore crucial to provide them with basic skills for approaching problems differently: asking odd questions, fostering unorthodox thoughts, and encouraging intuition and creativity. The ability to think outside the box can very well be learned and taught, not least by means of the techniques already mentioned.

A person who is good at developing ideas should focus on this essential competence and enhance it – not be burdened with matters at which s/he is less competent. Business founders need be taught that they can access skills they lack in business administration through other means: for instance, through prudent choice of partners and employees, through seeking professional advice, or by outsourcing to specialists. In this way, they can reduce their risks and calm their fear of failure.

Research and teaching about entrepreneurship need to get away from their narrow focus on business administration and arrive at an understanding of entrepreneurship that facilitates the development and implementation of entrepreneurial ideas. This requires types of learning and practicing which include aspects from the most diverse disciplines taught at the university and which integrate theory as well as entrepreneurial practice. (Fiet

2000) even advises against scientific, theory-based research in this area; the phenomenon of entrepreneurship, he argues, is so complex that it eludes traditional research.

In the future, entrepreneurship education needs to incorporate multidisciplinary components, which play an important role in developing personal success factors and for learning from mistakes (Shepherd 2004, Honig 2004, Politis 2005, Kuratko 2005, Béchard and Grégoire 2005). In short: 'A Schumpeterian shift' (Gibb 2002, 259) is urgently needed in entrepreneurship education.

Enjoyment, fun, and the challenges and satisfaction entrepreneurship can offer must never be left on the shelf. The best teachers are probably those who have themselves experienced what counts. These successful entrepreneurs, however, are often regarded as not having enough academic qualification to teach at universities. To encourage them to pass their practical experiences on to students and other interested people should be our motivation and goal.

### **Implications for policy-makers**

In Germany, 2.3 percent of the population were business founders in 2003; in 2004, the percentage dropped to 2 percent (Lehnert 2004, Hofmann, Tilleßen and Zimmermann 2005). In 2005 the percentage increased for the first time in years, which was due primarily to the state-sponsored incentive systems aimed at increasing self-employment (Sternberg et al. 2006). In a recent international comparison of the frequency of startups, carried out by the Global Entrepreneurship Monitor, Germany only ranked in the lower middle. This cannot be due to a lack of economical and political support. Incentives have been extraordinarily generous in recent years, because economic and political decision makers, as well as many academics, regard entrepreneurship as a key lever for decreasing unemployment and stimulating economic growth.

Incentives in Germany are primarily financial. Policy makers overlook that money (as we saw in the New Economy boom) is often not the main problem in founding a business; in addition, applying for these subsidies requires a huge bureaucratic effort (Gläser 2002). Potential entrepreneurs with limited resources may be frightened off by too much red tape, and their success jeopardized. Financial subsidies can even impede the entrepreneur, because they often distract attention from the central business idea. Worse: founders must align their business idea with the government subsidy, not the requirements of the market, and start businesses that could not exist without state support.

Although empirical studies show government subsidies to have a slightly positive impact, the final effect remains below politicians' expectations (Audretsch and Thurik, 2000, Verheul et al. 2002, Pesch 2005, Caliendo, Steiner, and Baumgartner 2006). It also remains unclear whether subsidized startups are very sustainable in the market. It is time to start evaluating more precisely the effectiveness and success of public subsidies for startups, assessments that go beyond the financing aspects and examine the effects of government subsidies on Germany's entrepreneurial culture in general. Political success messages spread by the initiators of the subsidy programs are of little help.

Unlike financial support measures, non-material help by professional advisors, as well as the availability of information and networks, has proven to be especially helpful for the success of startups (Jacobsen 2006). Currently, most support measures are not requested by prospective business founders, but pretty much forced on them. This is not particularly effective; in many cases it is even counterproductive (Osborne 2000, Hjalmarsson and Johansson 2003). Moreover, the quality of consulting services for founders is often deficient, according to a study of (Stiftung Warentest 2003): most often, consultants do not assess the proposed business model systematically enough.

Macro- as well as micro- economically it would be helpful to create an atmosphere of creativity, and to provide optimistic perspectives for entrepreneurs, for their businesses as well as their lives. At this, we have not been successful. Entrepreneurship can indeed be a fulfilling and exciting challenge, promising a higher degree of independence, responsibility, autonomy, and control than other occupations. Positive feedback, indeed appreciation, by one's customer is usually more direct and thus more satisfying. The higher risk an entrepreneur incurs, and the insecurity that comes with it, is balanced out by higher independence and self-determination, as well as by the opportunity to integrate one's social and professional life. To point out the opportunities that entrepreneurship provides, and to encourage citizens to seize them, must be the real task of policy makers – a job that is much more important than most of the current economic policies.

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