
The entrepreneur strategic Model based on Functional Roles and Environmental Factors

Mohsen mehrara

Faculty of Economics, University of Tehran, Tehran, Iran

Alireza ghafari

MSc in Economics, University of Tehran, Iran

Abstract

In expressing and analyzing the entrepreneurship of strategic model based on functional roles and environmental factors, the effect and the significance of 6 basic components were studied based on economic theory in the domain of functional role. In addition to that, the effect and the significance of 16 important components in the process of entrepreneurial activities expansion were measured in environmental factors/forces. The objective of this research is to identify these important effective components and elements to improve entrepreneurs' performance in different economic areas. The research statistical society is comprised of skilled persons and economics experts. The research results show that the organizing factors among all the components of functional roles of entrepreneurs are of more significance. In addition, out of different environmental factors, the accessible factor to suppliers and the customers or new markets, is of higher importance than all other such factors. Then, for each of the superior or major components, the strategic suggestions were presented to entrepreneurial activities expansion in economic area. Spss software was used in this research paper.

Keywords: entrepreneur, functional role, environmental factors

1. Introduction

The entrepreneurship can then be analyzed and expressed when a clear-cut and distinguished definition or definitions are presented of it. There is an agreement over this point that the entrepreneurship terminology at least covers a part of decision making function in the direction of operational guidance of the organization.

Summarily, if the history of economical beliefs is reviewed from the time of Richard Cantillon, who very first introduced the word of entrepreneurship in economic literature in the year of 1755, the different methods of attitudes to entrepreneurship nature can be observed which are resulted from the non agreement of economists on the efforts to introduce and accurately identify the entrepreneurial factors. (Jennings, 1994, page 43)

The presence of distinctions in entrepreneurship's definitions from one side indicates the broadness and importance of subject that can be studied from different directions and dimensions, and from other side, shows the dynamism of the theme that provides the ground to present different models, theories and distinct process views or opinions.

The need to conduct this research in "entrepreneurship" field is that the economic agents always pursue the main and major factors of wealth generating, in other words they have been the main factor to produce economical value in the society. The objective of this research is to identify the most important functional role and effective environmental factor in the performance of model entrepreneur in the direction of entrepreneurship's process improvement in different economical fields. In addition, the recognition of these components can be an element to target the study

series of developmental education and the extension of entrepreneurial thoughts among the people of the society. This research is a type of applied research. The research data was aggregated using questionnaire tool. The statistical society is comprised of the professors and the experts of economics. 60 persons were selected. The SPSS software was used to analyze and evaluate the information in this research. In addition, Freedman test has been used for ranking and specifying the significance rate of factors (operators).

2. Theoretical basics of entrepreneurship in economics

All economical schools from 16th century until now, somehow, explained the entrepreneurship in their economical theories. In the continuation, the definition of entrepreneurship and entrepreneur will be reviewed from economists' viewpoints.

“Richard Cantillon, in the year 1730 explains regarding the definition of entrepreneur that it is an individual who provides the production tools in order to merge them to produce supply able production to the market” (Palmer 1987 page 37). Therefore, “Cantillon” enters the Direction elements and “Speculation” in his applied definition. From his viewpoint the entrepreneur functional nature is similar to endure uncertainty. He considers all those as entrepreneur who engage themselves in transactions with unspecified costs (Cochran 1968 page 87).

Jean baptiste say, is an operating entrepreneur in the year of 1803, who to become successful must possess prescience in brokerage and the knowledge about the business world and benefit from management art (Cochran 1968). From the opinion of say, the entrepreneur is an organizer of economical agencies and plays a central role in production and distribution performance. In fact, he emphasizes only the importance of entrepreneur in business and does not involve the entrepreneur in the discussions of innovations or capital generating. (Palmer 1987 page 88)

In 1882, Frederick b. Hawley, regarded the risky acts as a salient characteristic of entrepreneur, however, considered them in the group of production operators factor.

Frank h. knight (1921) knew the uncertainty an inseparable factor in decision making. According to his suggestion, the measurable risks can be balanced by insurance markets but this theme cannot be true for uncertainty. The individuals who engage themselves in decision making during grave uncertainty conditions, such individuals are considered as entrepreneurs or the owner of work (Palmer, 1987, page 45).

According to the views of Schumpeter, the entrepreneur is the major driving force in economical development and his role includes innovation or the innovative compositions of material. He separated the role of managers and the individuals who generate business, from the entrepreneur's concept. According to his viewpoint each of the following activities is considered as entrepreneurship: the supply of new goods, introducing the new method in production process, opening of new market or the new source art. The entrepreneur, meanwhile, must convince the investors regarding their innovative desirability (Palmer, 1987 page 48)

He regarded the work of an entrepreneur as Creative destruction. He refers in the book of ‘theory of dynamic economics’, the dynamic balance is achieved by innovation and entrepreneurship, both are the characteristics of healthy economy (Drucker, 1985 page 17)

Kirzner (1979) believes that entrepreneurs in most cases would be the owner of resources. He as well believed that people are usually unaware of the opportunities they access. From the other hand, they become happy from the opportunities come in to existence for them they ignored till yesterday.

He suggests that the major economic problems of all societies result from non perception of opportunities. Therefore, more information is necessary on the composition and the setup of the

factors to understand these opportunities. In other words, entrepreneurship means awareness of profitable and uncovered opportunities.

In the course of entrepreneurship concept's expression course, diverse characteristics, functions and activities are assigned to the entrepreneur. Therefore, the presentation of definitions' framework and the classification can relatively reduce the existing complications. Summarily (Table 1)

Environmental factors

The effective environmental factors on independent and organizational Environmental factors have been studied by researchers. The most important agreeable points by the researchers are indicated in table.2 (Gartner 1989 p, 47). Entrepreneur engages himself in the activities after evaluating environmental factors and studying the barriers and obstacles as well as the opportunities in different fields of economics. Therefore, the entrepreneur can specify the general strategy in the direction of his activities' expansion and make decision to carry out the activity (Table 2).

3. Friedman's Test

The methods discussed in this and succeeding sections of this chapter apply to both the randomization and population models for generating the data. If you assume that the assignment of the treatments to the K subjects within each block is random (the randomized block design), you need make no further assumptions concerning any particular population model for generating the u_{ij} 's. This is the approach taken by Lehmann (1975). However, sometimes it is useful to specify a population model, since it allows you to define the null and alternative hypotheses precisely. Accordingly, following Hollander and Wolfe (1973), you can take the model generating the original two-way layout (see Table 3.1) to be

Table 3.1:

Block	Treatments			
Id	1	2	...	K
1	u_{11}	u_{12}	...	u_{1K}
2	u_{21}	u_{22}	...	u_{2K}
.
.
.
N	u_{N1}	u_{N2}	...	u_{NK}

$$U_{ij} = \mu + \beta_i + \tau_j + \varepsilon_{ij}$$

For $i = 1, 2, \dots, N$, and $j = 1, 2, \dots, K$, where μ is the overall mean, β_i is the block effect, τ_j is the treatment effect, and the ε_{ij} 's are identically distributed unobservable error terms from an unknown distribution, with a mean of 0. All of these parameters are unknown, but for identifiability you can assume that

$$\sum_{i=1}^N \beta_i = \sum_{j=1}^K \tau_j = 0$$

Note that U_{ij} is a random variable, whereas u_{ij} is the specific value assumed by it in the data set under consideration. The null hypothesis that there is no treatment effect may be formally stated as

$$H_0 : \tau_1 = \tau_2 = \dots = \tau_K$$

Friedman's test has good power against the alternative hypothesis

$$H_1 : \tau_{j_1} \neq \tau_{j_2} \text{ for at least one } (j_1, j_2) \text{ pair}$$

Notice that this alternative hypothesis is an omnibus one. It does not specify any ordering of the treatments in terms of increases in response levels. The alternative to the null hypothesis is simply that the treatments are different, not that one specific treatment is more effective than another.

Friedman's test uses the following test statistic, defined on the two-way layout of mid-ranks shown in (Table 3.2)

Table 3.2:

Block	Treatments			
Id	1	2	...	K
1	r_{11}	r_{12}	...	r_{1K}
2	r_{21}	r_{22}	...	r_{2K}
.
.
.
.
N	r_{N1}	r_{N2}	...	r_{NK}

$$T_F = \frac{12 \sum_{j=1}^K (r_j - Nr.)^2}{NK(K+1) - (K-1)^{-1} \sum_{i=1}^N \left[\sum_{j=1}^{e_i} d_{ij}^3 - K \right]}$$

The exact, Monte Carlo and asymptotic two-sided p values based on this statistic are obtained

by Equation $p_2 = \Pr(T \geq t) = \sum_{T \geq t} (K!)^{-N}$ Equation $\hat{P}_2 = \frac{\sum_{l=1}^M z_l}{M}$ and Equation $\tilde{P}_2 = \chi^2 K - 1 \geq t$ respectively.

4. Data analysis

The Freedman test is used to analyze data and the similarity study of mentioned variables prioritizing (ranking) in two realms of functional roles and environmental factors. 50 questionnaires were analyzed statistically, to rank the mentioned factors in this research. Statistical analysis results include the following:

4.1. Freedman test results analysis for functional roles of entrepreneur

In view of the test results and the comparison of existing variables rank average in functional roles realm, it could be said that the 'organizing factor' has maximum significance with 1, 56 rank average and all other factors rest next to it. (Table3)

Strategic suggestions

Among different characteristics, the organizing factor could be the most important functional role of entrepreneur towards equipping and the application of different sources. In addition, the optimized use of techniques in production can improve the goods manufacturing and services process. The important point in organizing the different factors is to manufacture in the direction of economical productivity increase.

4.2.Freedman test results analysis for environmental factors of entrepreneur

In table.4, the average of different environmental factors were measured which, the entrepreneur is facing in the direction of expanding his activities.(Table4)

The results indicate that, out of the different factors, the factor of “the access ability to suppliers, customers or the new markets” has the maximum importance (from prioritizing viewpoint) with rank average of 4.4. All the rest factors are next to it. As it is observed, the average of access ability to suppliers, customers or the new markets has much difference with the average of other factor’s ranking. The same matter authenticates the far beyond importance of this factor.

Strategic suggestions

The access ability to suppliers, customers or the new markets could be important factor for entrepreneur in fixing the direction of economical strategy with the goal of expanding economical activities. The fresh economical suggestions in access factor analysis to suppliers, customers or the new markets, is the attention and technique application of commercial public relations. In commercial public relations the themes such as, identifying the needs of audiences (related to market investigation), response publicity to customers and relationship with customers can be referred. The commercial public relations structure emphasizes the following four axes:

- Market investigation: the fixing and recognizing the future needs of audiences
- Market publicity: attention to the culture and the life of the people based on morality
- Information and information supply: to meet easy access of the people to information
- Communications and responding: respecting the righteousness of the customers.
- The structure and the tools of commercial public relations have been compiled based on the same approach and the emphasis on this point that the today’s world is the world of public relations

5. Conclusion

Freedman test result in this paper for the analysis of functional roles of entrepreneurs in economical theory shows that the “organizing factor” with 1/56 ranking average has the maximum significance among all other components. This factor indicates the organizing significance of entrepreneurial process. In addition, the Freedman test result for analyzing the effective environmental important factors on the process of entrepreneurial activities expansion indicate that the access ability to suppliers, customers or the new markets has maximum significance among all factors with 4/04 rank average. This factor can be the indicator and recommender of appropriate programs and strategies of entrepreneur’s activities expansion. In addition to the significance of these factors in effecting the entrepreneurs activity, the identification and fixing of such factors can provide appropriate framework to create the educating and research grounds in the direction of educating and entrepreneur’s activities expansion in different areas of economy.

REFERENCE

- _Jennings,D.,(1994).Multiple Perspectives of Entrepreneurship Test,Readings, and Cases,Cincinnati, Ohio:South-Western Publishing Co.*
- _Palmer ,M.(1987).The Application Of Psychological testing to Entrepreneurial potential Inc. baumback , &J.mancuso (eds),Entrepreneurship and venture management N.J.:Prentice-Hall Inc.*
- _CoChran ,T.(1968).Entrepreneurship, In D.L.Sills (ed).International encyclopedia of the social sciences,new york:free press.*
- _Drucker ,P.(1985) The Discipline of Innovation.Harvard Business Review.May-June-67-72*
- _Barreto,H.(1989),The Entrepreneur in Microeconomic Theory:Disappearance andExplanation.London:Routledge Pub.Co.*
- _Gartner,W.(1989).Who is an Entrepreneur?Is the wrong question, Entrepreneurship Theory and Practice,13,47-64*
- _Lehmann, E. L. 1975. Nonparametrics: Statistical methods based on ranks. San Francisco: Holden-Day.*
- _Hollander, M., and D. A. Wolfe. 1973. Nonparametric statistical methods. New York: John Wiley and Sons.*

Appendix

Table 1: Functional roles of entrepreneur in economic theories

Prominent theoriticians	Functional role
Richard Cantillon	Dealer
Jean baptiste say	Organizer
Frederick b. hawley	Product owner
Joseph Schumpeter	Innovator
Frank h.knight	Decision maker
Kirzner	mediator

Source: Bareto(1989)

Table 2: Environmental factors of entrepreneur

	indicators
1	More interaction between industries and universities
2	Investment in micro and risky activities based projects
3	Different financing resources
4	The inclination of financial organizations to finance small entrepreneurs
5	Credit ensuring program for newly established companies
6	Competition among financial organization
7	Entrepreneurial networks
8	Support of research and development
9	Incentives and tax exemptions
10	preparedness of ground and all factors related to production
11	The pressure resulted from substitute products
12	the access ability to suppliers, customers or the new markets
13	bankruptcy Laws and regulations
14	Competition among existing competitors
15	Entry obstacles/barriers
16	Proprietorship/ownership supporting laws

Source: Gartner 1989

Table3: Freedman test results for functional roles of entrepreneur

rank Average	indicators
3,68	Dealer
1,56	Organizer
3,18	Product owner
3,74	Innovator
4,38	Decision maker
4,46	mediator

Table 4: Freedman test results for environmental factors of entrepreneur

rank Average	indicators
10.25	More interaction between industries and universities
10.48	Investment in micro and risky activities based projects
9.44	Different financing resources
8.60	The inclination of financial organizations to finance small entrepreneurs
9.06	Credit ensuring program for newly established companies
8.68	Competition among financial organization
8.24	Entrepreneurial networks
7.26	Support of research and development
7.34	Incentives and tax exemptions
7.54	preparedness of ground and all factors related to production
7.24	The pressure resulted from substitute products
4.04	the access ability to suppliers, customers or the new markets
9.30	bankruptcy Laws and regulations
9.75	Competition among existing competitors
9.06	Entry obstacles/barriers
9.72	Proprietorship/ownership supporting laws