The Role of Entrepreneurship in the Global Age

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"An expert isn’t always the person who knows the most. Experts are expected to know a lot, but often it is better to know how to organize and structure knowledge than to simply have knowledge. Innovative thinkers don’t merely retain and recite information; they identify and create new patterns that reorganize known information.” (Michael Preis, 101 Things I Learned in Business School)

"I make more mistakes than anyone I know. And eventually I patent them.” — Thomas Edison

Introduction

It is generally agreed that entrepreneurship is an essential ingredient for modern global businesses. What is a global business? In a sense all business is global in the 21st century. Even if the market and customer base is not global, and even though the business itself may only be locally based, the nature of the global economy is such that even the most local of businesses is impacted in a variety of ways by changing currents in the global economy. This may include such things as global supply chains, trade deficits, currency fluctuations, and new tariff or free trade agreements, not to mention daily fluctuations in stock and bond markets which may affect the availability of capital. Even the owners of a local small mom and pop firm need to be aware of current trends in the global economy which may affect such things as inventory, prices, and demand.

It is a given that the 20th century business models, while not rendered irrelevant, are severely limited in their ability to deal with the current business climate, which is highly integrated on a global level, as implied above, and also highly competitive in ways unfamiliar to 20th century business practices. In the 20th century, American business led the way in the global economy. America has, in the past, taken a lead role in entrepreneurship. The economist Milton Friedman has said, “Ever since the first settlement of Europeans in the New World, America has been a magnet for people seeking adventure, fleeing from tyranny, or simply trying to make a better life for themselves and their children.” Though it’s true that some of American business hegemony was knocked down a few pegs in the 1970’s with the emergence of new (mostly Asian) global players, in terms of world trade and world GDP, America is still the number one player on the world stage.

These historical times are very perilous, however, for American interests as well as other business ventures around the world. In fact, though there is no need to panic just yet, it appears that new challengers, especially China (as well as the other BRIC economies) may possibly displace America as the engines of business and world economic growth. Globalization has become the new mantra, the new religion of the world economic order since the collapse of communism.
Economists and business educators proclaim that the relatively new field of entrepreneurship is the key to success in this particular globalized world we find ourselves. Of course globalization is not new, and neither is entrepreneurship. In fact the rise of global capitalism since the 17th century to the present has been driven largely by individual entrepreneurs; it is only in the late 20th century where we see huge monolithic multinational corporations (largely U.S.) as the drivers of international trade and foreign investment.

The Global Market Place

There are many definitions of globalization. A broad definition is simply the integration of international markets for goods, manufacturing, labor and finance (capital). It includes some of the following key features:

- M&A
- FDI (foreign direct finance)
- Privatization
- Deregulation
- FTA (free trade agreements)
- Global, but also local (= "glocal")
- Business values: efficiency, cost-cutting, leadership
- Knowledge based business
- New values: sustainability, fair trade, stakeholder value
Significance of Multinationals

In business commerce, giant multinationals control the production and distribution of products that handle the majority of world trade. The giant multinationals dominate business activity and most industries' production is worldwide and tends to go to countries where labor costs are low and therefore higher productivity.

Furthermore there are two main types of globalization:

Globalization of consumption: the nation in which a product was made becomes independent of the nationality of the consumer.

Globalization of production/ownership: In this case, the ties between the home country and production become tenuous or are dissolved. For example, many factories in China are owned by Americans, and many factories in America are owned by European companies (e.g., Daimler-Benz). Recently many Chinese companies are setting up production facilities in the U.S. (The Economist, May 1, 2011)

21st Century Globalization

The Golden Age of Globalization was in the late 19th century up until World War I, when trade was relatively free and the gold standard helped stabilize cross-border transactions. The age we find ourselves in now can be termed the Second Golden Age of Globalization because of the degree to which the world has shrunk. In the late 19th century there was a tremendous shrinking of the globe in terms of integration of world markets. This shrinking was due to technology—primarily transportation and communications. Steamships made trade cheaper and faster and more reliable than sail ships. First the telegraph, and then, in the 20th century, the telephone, connected the financial markets of Europe and North America.

Some economists have cast doubts that we have entered a second Golden Age of Globalization. First the terrorist attack on 9/11 followed by subsequent attacks and instability in the Mid-East, and then the economic credit crisis of around 2008, followed by the coming apart of the European Union have all struck at the heart of the optimism of free trade and even the desirability of a fully integrated world market system.

Another, more profound critique of globalization is directed more at the ideological underpinnings of globalization, i.e., the belief that free trade and free market government policies is the key for development. Some, such as Henry Mintzberg, professor of management at McGill University, have called into question this gospel of wealth of globalization. "Globalization certainly develops the 'global' corporations of the wealthy world. But does globalization develop poor countries of the developing world?" (2010:3) All the talk of taking down of trade barriers and opening up developing economies to direct foreign investment and western firms is a charming idea, but, as the evidence shows, it is generally much more beneficial to the multinationals than to the poorer countries whose resources or customer bases they intend to exploit.
Mintzberg is hardly the first to point out the fissures and cracks in the unalloyed optimism of the thinking of the global free-marketers. However, as a professor of management (rather than an anti-global activist), he offers an alternative vision for global development. Instead of the "heroic" style of top-down management in which so-called experts or professional managers hand down directives to subordinates who must implement them, an alternative is an engaged style of management where people are empowered. Instead of managers being important people in the organization, their role is rather to help others be important. Thus the organization is totally transformed from a hierarchical vertical structure to a interacting network. And, quite radically for a business professor perhaps, he says, "Human values matter, few which can be measured." (6)

The Entrepreneur

Given that the global economy has become high speed, hi-tech, highly competitive, with capital and goods flowing more freely and more quickly than at any time in human history, the question is, what is the role of the business leader in this new world order? What kind of business and what kind of business leaders have emerged? More significantly for this paper, what kind of new business models are emerging which reflect these profound changes in economy and society? One key theme is the role of the entrepreneur. This term falls within the scope of business leadership. It seems that leadership is everything- indeed, even, some would argue, more important than management. As one CEO put it, they could leave their business plan on the plane as long as the right leadership was there to guide the company through whatever rough waters lie ahead.

The business leader, or more fundamentally, the entrepreneur, is the one who starts with a vision and then makes it manifest. Another way of putting it, is that he or she is the one who creates real value- value for the enterprise and value for the consumer and, in many cases, value for the society as a whole.

Indeed it has been, throughout much of American history, the entrepreneur which has been the main force behind America’s rise as the preeminent business nation. Particularly since the late industrial revolution (post U.S. Civil War), American business and technological ingenuity has been the driving force behind GDP growth.

A short list of some of the names from this period is testament enough of this:

- Cornelius Vanderbilt - railroads
- John D. Rockefeller - Standard Oil
- Andrew Carnegie - Carnegie Steel
- Henry Ford - Ford Motor Co.
- J.P. Morgan - energy, steel, banking and other industries
- George Eastman - Kodak
- Thomas Edison
- George Westinghouse
Modern 20th century America (post-World War II)
◇ Ray Kroc- McDonalds
◇ Sam Walton- Wal-Mart

What is interesting about post-World War II business history is the scarcity of prominent individual entrepreneurs. This was, after all, the era of the "grey flannel suit;" the company man working for large enterprises wherein individual identity and initiative was suppressed in favor of satisfying the dictates of the hierarchically structured vertically integrated multinational corporation. In a previous era, America presented a fairly unstructured business environment, whereas post WWII, society, economy and government were organized into a fairly well-integrated whole. The MBA became the standard education for business executives; though certainly many men worked their way through the ranks, business as an efficient science was the norm, and the large scale manufacturing corporation was built according to scientific principles of cost efficiency in order to maximize profits.

Indeed, one might venture to say that in the pre-war era, inventors and entrepreneurs sought to develop new products of value which would improve the lives of citizens, whereas the post-war era saw a slight shift in emphasis to producing things which would yield the greatest profits in the shortest time. This is not to say that the period between 1950-1980 did not bring fabulous new (American) inventions: the television, Technicolor movies, the Polaroid camera, movie cameras, stereophonic radios, computers, commercial jets, and pharmaceuticals all changed social life around the world. However, there was this shift or new emphasis in the business world to shareholder profit. Ray Kroc stands out as the entrepreneur whose vision produced a product which reverberated around the world, the fast food (McDonald's hamburger), however, the list of names of visionary entrepreneurs in this period seems thin, especially compared either to the early 20th century or the end of the 20th century.

The entrepreneur is:
◇ A risk taker
◇ Innovative
◇ Courageous
◇ Visionary (in a global sense)
Leadership and Teamwork

Steve Jobs:
“My model for business is The Beatles. They were four guys who kept each other’s kind of negative tendencies in check. They balanced each other and the total was greater than the sum of the parts. That’s how I see business: great things in business are never done by one person, they’re done by a team of people.” (2003)

Sam Walton:
“I probably have traveled and walked into more variety stores than anybody in America. I am just trying to get ideas, any kind of ideas that will help our company. Most of us don’t invent ideas. We take the best ideas from someone else.”

Michael Dell:
“One of the things I benefited from when I started this business was that I didn’t know anything. I was just instinct with no preconceived notions. This enabled me to learn and change quickly without having to worry about maintaining any kind of status quo, like some of my bigger competitors.”

American Global Entrepreneurs

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<thead>
<tr>
<th>Company</th>
<th>Entrepreneur</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Dell Inc.</td>
<td>Michael Dell</td>
<td>One of the first to exploit global supply chains</td>
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<tr>
<td>Apple Inc.</td>
<td>Steve Jobs</td>
<td>Innovative products bringing value, changing the way we live</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>Sam Walton</td>
<td>Supply-chain efficiency, cost-cutting</td>
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<td>Facebook</td>
<td>Mark Zuckerberg</td>
<td>Global IT visionary</td>
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<td>Starbucks</td>
<td>Howard Schultz</td>
<td>Innovative marketing and management systems</td>
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<tr>
<td>Google</td>
<td>Larry Page and Sergey Brin</td>
<td>Innovative IT technology, unique governance and management, corporate philosophy</td>
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<tr>
<td>Hewlett-Packard</td>
<td>Bill Hewlett and David Packard</td>
<td>Core people oriented corporate philosophy</td>
</tr>
<tr>
<td>Herb Kelleher</td>
<td>Southwest Airlines</td>
<td>People over profits, cost-cutting, customer service</td>
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<tr>
<td>Jeff Bezos</td>
<td>Amazon</td>
<td>Open to internet shopping market</td>
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<td>Frederick Smith</td>
<td>FedEx</td>
<td>Visionary for high speed, low-cost transportation of small packages</td>
</tr>
<tr>
<td>Phil Knight</td>
<td>Nike</td>
<td>Visionary marketing</td>
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The New Global Thinking

The world economy has dramatically changed and so too, business (as well as business education) has had to change. "...it is fair to say that nearly all countries are navigating a single economic sea." (Kogut 1999:1) It should be noted that there is a consistently high failure rate for new businesses. (Pfeffer 2010:5) However, change can be a good thing.

Global Business

- New systems thinking: looking at the whole picture
- Faster and cheaper communication, transportation
- New sources of labor
- High GDP growth in emerging economies
- Tech savvy young people; knowledge based enterprises
- Sustainability
- Fair trade
- Corporate social responsibility (CSR)
- New focus on the stakeholder, not just the shareholder

The "churning of new business" which is characteristic of the U.S. economy is actually very good for the health of the economy. (Davis 2008:131).

Entrepreneurial leadership is all about risk. "It is inherent in any dynamic capitalist economy that some firms thrive and grow while others decline and sometimes fail. ...Sorting successful business endeavors from unsuccessful one is, in fact, a central and necessary part of our market economy, and it is essential that the public policy makers understand this process." (Davis 121) American business success in over the past century is testament to the visionary spirit of individual entrepreneurs who took risks and often failed. Indeed, creating an environment in which business failure is not only accepted but part of the process of finally arriving at innovations which will create real value for both customers and firms is essential. (Indeed, this has been one of the criticisms of the Japanese business world: stability is valued and the risk of failure is assiduously eschewed). In fact, many venture capital firms are now specifically looking for entrepreneurial leaders who have experienced failure in the past. (Gergen 2008: 1 ) Examples are Intuit (Scott Cook), General Electric, Corning and Virgin Atlantic.

One of the most innovative and successful companies in the world today is Google, a company which values failure as a great learning device. An effective business leader like Coke’s CEO Neville Isdell, believes that a risk averse business culture (like Japan) has a kind of straight jacket and a handicap in the modern global market place. However, such business leaders must be hands-on and in the trenches, encouraging risk and sitting down to learn from failures.
Organizations which measure performance based on short-term successes are not as effective as firms like Google which value short-term failures which are then used to learn from in order to create long-term success (real value).

**Fair Trade, Sustainability and Corporate Social Responsibility**

The 21st century entrepreneur is a different breed from the 20th century industrialist who was primarily bent on shareholder profits and building economies of scale. Some of the names mentioned above (but not all) had or have a different vision, which can perhaps be summed up as follows: the primary intention or motivation is to create a firm or business enterprise committed above all else to creating value- value for the customer or consumer, value for the firm, and even value for the larger society. Of course turning a profit is essential- no firm can provide value if they are always losing money.

Fair trade is fundamentally a new perspective for doing business in which the northern industrial economies seek to engage their southern partners who provide the resources (like coffee or cocoa) that we all want in the north, as well as cheap labor (clothing, electronics). It seeks to behave ethically, sustainably with economic fairness. The principles of fair trade are as follows:

- democratic organizations
- recognition of the right of workers to organize into unions
- no exploitation of children
- minimizing one’s environmental footprint
- fair wages
- social premiums to the local community
- safe working conditions
- long-term relationships  

Since most business schools do not lay particular emphasis on any of the these things (and certainly not all of them) we’d have to conclude that a company which sincerely tries to live by these principles is a unique company indeed – a truly 21st century company. Furthermore, such a company will most likely be the creation of the leadership of a particular entrepreneur who steers the company in ethical directions. Of course large multinationals under the stewardship, not of individual entrepreneurs, but whose governance comes from executive management and a board of directors, often tout sustainability and CSR, however the evidence suggests that this is primarily a form of green-washing; in most cases shareholder profit is still the primary motivation for business behavior. (Kewalramani 2012)

**Conclusion: Navigating in Rough Seas**

"Entrepreneurship is neither a science nor an art. It is a practice.” - Peter Drucker
If anything, the global economic crisis has clearly shown us that the world economy is truly global, meaning inextricably intertwined. Throughout most of the 20th century, only a small number of capitalist countries controlled the world economy (more or less). The modern global economy has been characterized as an era of "hyper-globalization," where economic globalization has become an end in itself. The new religion of economic policy makers around the world is globalization- which means a severe pressure to open domestic markets everywhere. (Rodick 2011:xix) In such a competitive economic context, the role of the entrepreneur has never been more vital. The gospel of open markets, deregulation and privatization which is the trinity of the globalization ideology, lacks a vital ingredient- the visionary business man or woman who knows how to practice the skills necessary to navigate these rough economic waters, who knows how to create a vision and actualize it in material terms.

Currently MBA graduates tend to be more focused on risk and risk management than on making money. (Kelley Holland NYtimes). However, it is precisely now, in these precarious times, that the skills and talents of the entrepreneur are called on. The new definition of leadership in the 21st century necessarily includes a core focus on entrepreneurship. Kim B. Clark, Dean of Harvard Business School has said, "The concepts of leadership that are going to be important in the future spring out of an understanding of entrepreneurship." (Global Community for Advancing Studies on Entrepreneurship 2012) This might be amended to say it is not the future, but the present- the present climate of economic instability and insecurity, which is precisely the time when entrepreneurship must come to the fore. Economic hard times have sometimes been the best times to start a new venture. GE, Burger King, Microsoft and Walt Disney were all born in rough times. "...the mix of technological innovation and intensifying globalization is ushering in a new industrial revolution that is now spreading from software to manufacturing in ways that promise to give a huge boost to innovative entrepreneurs." (The Economist, Oct. 13, 2012, Take the Plunge.)

It seems that America’s entrepreneurial past teaches us two cardinal things: one, of course
is to have passion, heart, motivation along with vision, and the other is a point that is sometimes missed in discussions of entrepreneurship: value. Phil Knight gave us Nike’s with air cushioning, Howard Schultz gave us a high quality coffee fix with a European ambience to lighten our souls and outlook on life, Steve Jobs gave us portable music and wireless technology on a scale never before dreamed of, Herb Kellerher gave us an airline (Southwest) which was actually fun to deal with, and Mark Zuckerberg has enabled us to readily connect with friends and relatives and like-minded people spontaneously and effortlessly. A venture capital firm’s success often greatly depends on their reputation. (Metrick 2010: 83) Who can even put a price tag on the value which has been accrued to us all by these business innovators? The world economic system, social systems and even cultural institutions have been affected or transformed in ways that no econometric analysis could ever capture. The modern entrepreneur is the agent for historical change on a grand scale.

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Abstract

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Steven L. Rosen

America dominated world trade and business throughout most of the 20th century. The multinational corporation is the dominant institution which drove global trade in the second half of the 20th century, however before that, individual entrepreneurs were behind much of America’s business growth as it rose to become a world economic super power. Since the 1980’s there has been a revival of American styles of entrepreneurship, and it has spread and incarnated into other western and non-western countries as well. It has become clear that 21st century economic growth will depend on the new entrepreneur. It has already done so in the IT digital revolution as well as other areas, such as transportation (FedEx, Southwest Airlines, Virgin Group), retail (Body Shop, Starbucks), and communication (Apple Inc.). The role of the entrepreneur has never been so vital, and this is why one can find countless new publications, courses and seminars in entrepreneurship. This article critically examines the roles of the new entrepreneur in the 21st century global economy.