

**Fei Qin**

# The role of entrepreneurship as a vehicle for dynamism and change

**Monograph (Report)**

**Original citation:**

Qin, Fei (2015) *The role of entrepreneurship as a vehicle for dynamism and change*. Australian Government, Office of the Chief Economist, Canberra, Australia.

Reuse of this item is permitted through licensing under the Creative Commons:

© 2015 Commonwealth of Australia  
CC BY 3.0

This version available at: <http://eprints.lse.ac.uk/69375/>

Available in LSE Research Online: February 2017

LSE has developed LSE Research Online so that users may access research output of the School. Copyright © and Moral Rights for the papers on this site are retained by the individual authors and/or other copyright owners. You may freely distribute the URL (<http://eprints.lse.ac.uk>) of the LSE Research Online website.



Dr Fei Qin

## *Feature: The role of entrepreneurship as a vehicle for dynamism and change*

*By Dr Fei Qin, London School of Economics and Political Science*

Entrepreneurship as a concept has multiple connotations. Depending on the sources of the definition, it could encompass a wide range of economic activities from self-employment and new venture creation to corporate venturing. Researchers have also distinguished between replicative entrepreneurship and innovative entrepreneurship, need-based entrepreneurship and opportunity-based entrepreneurship. In the 2014 Global Entrepreneurship Monitor survey, Australia ranks fourth in terms of total early stage entrepreneurial activities (TEA) among all the 29 innovation-driven economies covered by the report, next to Qatar, Trinidad and Tobago, and the United States. When entrepreneurship has almost become a buzz word in business today, a question becomes important in understanding the nature and impact of various types of entrepreneurship — what kind of entrepreneurship is more relevant to economic growth, or has the potential to shape tomorrow's business paradigm?

Ever since Austrian economist Joseph Schumpeter first linked entrepreneurship with innovation, entrepreneurship has been widely recognised as a key driver for 'creative destruction', the revolutionary and discontinuous changes that break the static mode of the economy and lead to shifts in business cycles and long-term economic development. While in modern history new firms have always come into being, the role of entrepreneurship has never been as central as today when business transactions and economic activities are increasingly complex, dynamic, and globally integrated. During the post-industrial revolution era, when standardisation and mass production gave rise to the dominance of large organisations, new ventures, albeit always serving as an important source of economic growth, did not occupy the centre stage of the economic landscape. The values of entrepreneurial organisations have mostly been heralded for employment generation and commercialisation of new inventions. This is all changing with the rise of the knowledge and digital economy, where entrepreneurs and the organisations they create are uniquely positioned to exploit new opportunities, adopt new production methods and technologies, and reshape competition by penetrating new markets.

This article highlights two emergent trends of entrepreneurship that have enabled entrepreneurial organisations to generate unprecedented and profound impacts on the ways that production and business transactions are carried out. These are a) increasing engagement in business model innovation and b) the emergence and proliferation of global start-ups.

Traditionally entrepreneurship has been closely associated with technological or product innovation; nowadays from Alibaba.com to Uber, start-up companies worldwide are playing a pioneering role in business model innovation —innovation that involves changes in multiple components in a business model simultaneously, oftentimes with changes in the entire system. Through devising new ways of creating, delivering, and capturing values, visionary entrepreneurs have become important game-changers who defy old

business models, rewrite the rules, and define new traditions in their industries. With the development of internet and mobile technology that opens up new and easily accessible distribution channels, the core of business competition has increasingly shifted towards providing unique solutions catered to varying and fast-changing customer needs, which is often enabled by new value propositions coupled with a novel combination of resources.

While successful business innovations in well established companies are rare in general, new ventures have made impressive achievements in spearheading business model innovation. For instance, a new wave of disruptive business model innovation based on the concept of the 'sharing economy' is exemplified by the success of start-up companies such as Airbnb and Uber whose business models centre around building a platform connecting people and resources rather than directly offering products or services. Conventional management theories argue that new ventures face unique challenges from simply being new to the game, i.e. the 'liability of newness'. However, when it comes to business model innovation, 'newness' becomes an advantage rather than a liability. Being less constrained by rigid organisation structures, established routines, and lengthy decision-making processes often found in existing organisations, new ventures are swifter in spotting new market trends, more responsive to changes in customer needs, and more efficient in coming up with novel solutions.

Another important new trend in entrepreneurship concerns the rise of the so-called 'born globals' or 'international new ventures' — start-ups that have operations in multiple countries from or near inception. Such new venture creation activities are not bounded by geographic locations. The past decade has seen entrepreneurial initiatives mushroom in the transnational space. In the past, companies usually became established in the home market first and then entered the international markets step by step. Thus only big, mighty, and resource-abundant companies can go global. This standard internationalisation trajectory has been transformed by a new generation of ventures that compete on the global stage from the outset. Although new and small, these fledgling start-ups operate across multiple geographies, draw from both local and global resources, and sell to the world market. The successful international launch of new ventures can be found in many sectors, ranging from high tech to consumer goods and processed food. The entry of this flock of new players is fundamentally transforming the competitive landscape of global business that was traditionally dominated by big multinational companies.

It is worth noting that behind global start-ups are entrepreneurs with strong international orientation and a global mindset. Oftentimes these organisations are created and led by migrants who are equipped with international experience and multicultural backgrounds, with deep knowledge of both domestic institutions and foreign markets. Australia boasts a highly skilled migrant population that also creates a vast reservoir of entrepreneurial talent. This talent pool can be an invaluable asset to the country's global competitiveness, providing the potential to become a major hub of global start-up companies.

In short, among a wide variety of entrepreneurial activities, special attention could be paid to the above-mentioned two types — entrepreneurial organisations engaging in business model innovation and international new ventures — that could constitute important sources of dynamism and changes in the future global business arena.