

# STRATEGIC COMMITMENT, UNKNOWNLEDGE AND THE NATURE OF ENTREPRENEURIAL ACTIVITY\*

Bruce W. Ross

*This paper argues that the essence of entrepreneurial activity is 'strategic commitment', which encompasses strategic thought and decision, together with commitment based on that strategy. Three distinct types of commitment are identified — resource commitment, psychological commitment and organisational commitment. The implications of a recognition of the pervasiveness of unknowledge in entrepreneurial activity are discussed. The paper also suggests that the term 'entrepreneur' be reserved for individuals who have demonstrated a singular aptitude for and commitment to enhancing their organisation's relationship with its environment.*

Keywords: business strategy, commitment, entrepreneur, unknowledge.

## INTRODUCTION

The study of enterprising business behaviour has been hindered both by lack of appropriate specific terminology and by confusion as to the essential nature of such behaviour. The two problems are interrelated.

This paper argues that the essence of entrepreneurial activity is 'strategic commitment'. The 'strategic' element is concerned with the organisation's relationship with its environment, while 'commitment' encompasses resource commitment, psychological commitment, and organisational commitment.

The strategic dimension is commonly recognised whereas the commitment aspect has not usually been explicitly identified. However it can be seen to be implicit in the work of major economists such as Schumpeter and Keynes, and has been directly addressed by Shackle. A selective survey of the literature on this topic is provided followed by two sections dealing with the views of Shackle.

Acknowledgement of the interrelationship between strategy and commitment permits us to identify the qualities which justify describing someone as an entrepreneur. It is suggested that the term 'entrepreneur'

\* I wish to thank Donald M. Lamberton and Darryl M. Roberts for suggestions which led to the development of this paper. Helpful comments were also received from Peter Groenewegen, Warren Hogan, Gordon Mills and an anonymous referee for this journal.

should be reserved for persons who have demonstrated a singular aptitude for and commitment to enhancing their organisation's relationship with its environment.

## THE ESSENCE OF ENTREPRENEURIAL ACTIVITY

The word 'entrepreneur' has been part of the terminology of economics for the past two centuries. It has outlived alternatives such as 'undertaker', 'projector', and 'venturer'. Yet economists have made little progress in achieving agreement as to who is an entrepreneur and what is the essential nature of entrepreneurial activity. Attempts to circumvent this problem by adopting very broad definitions have been unhelpful in resolving the dilemma. The statement, "The entrepreneur is any legal owner of an enterprise,"<sup>1</sup> not only strips the term of any operational utility but also offends logic by failing to exhaust the whole class of those who are usually considered to be entrepreneurs. Common usage recognises that not all legal owners are entrepreneurs and equally some entrepreneurs are not legal owners. Similarly the view of von Mises that all individual human action is entrepreneurial,<sup>2</sup> is unacceptable since it would leave the word with virtually no conceptual significance.

A specific word to describe enterprising business behaviour is clearly required and at the present time there is nothing available which is more apt than entrepreneur in its various grammatical forms. The first concern then is to identify the essence of entrepreneurial activity — the common factor in the operations of say a nineteenth century industrial pioneer or a modern day corporate raider or chief executive officer which causes them to be perceived as entrepreneurs.

Israel Kirzner, a prolific writer on the nature of entrepreneurship, has listed a range of activities which he believes call for entrepreneurial vision and daring. These include forming new business ventures, introducing new products or new production techniques, using pricing to meet or forestall competitors, and implementing new sources of finance and new patterns of internal organisation. He then asserts that what is entrepreneurial about these activities is that they reflect the decision maker's belief that they have discovered possibilities hitherto unperceived by them or their competitors. In Kirzner's view the essential entrepreneurial characteristic is alertness.<sup>3</sup>

Kirzner is clearly equating entrepreneurship with entrepreneurial alertness when he states, "entrepreneurship is costless." He justifies this by pointing out that in using a scarce resource the decision maker chooses between alternative goals to which the resource might be applied, so that the cost of using the resource is measured in terms of the goal foregone. However, entrepreneurial alertness is not a conventional economic resource since there is no opportunity cost involved in perceiving an opportunity. "To recognise that opportunity A exists need not preclude simultaneously recognising that opportunity B exists."<sup>4</sup>

Kirzner maintains that entrepreneurial alertness will always be translated into entrepreneurial activity. Once a person has become convinced of the existence of an opportunity, "it becomes virtually impossible to imagine *not* taking advantage of the opportunity so discovered."<sup>5</sup> At another point he states, "once the opportunity has been discovered, it is no longer relevant to inquire into the springs of entrepreneurship — since it will already have been exercised."<sup>6</sup>

The view that entrepreneurial opportunities once perceived are necessarily acted upon is clearly false. Many people recognise opportunities but few have the nerve or ability to exploit them. Once we deny an inevitable link between perception and action it is obvious that alertness is not the essential entrepreneurial characteristic. It is a necessary first step, although, as in the case of Pierpont Morgan, perception of the opportunity may not always originate with the entrepreneur himself.<sup>7</sup> However, alertness is never a sufficient condition for entrepreneurial activity. The entrepreneur needs additional qualities or resources. Even in the case of straightforward arbitrage access to finance is needed to take advantage of the opportunity. More generally, many of the attributes of the successful manager will be required to bring a project to fruition.

Casson asserts that "the essence of entrepreneurship is being different — being different because one has a different perception of the situation."<sup>8</sup> The entrepreneur believes that the information available to him is unique and therefore he will decide one way when everyone else would decide another.

Although it seems typical of entrepreneurs that they have a different perception, it is difficult to accept that the state of being different is the 'essence' or intrinsic attribute of entrepreneurship. As a general proposition it is incorrect to assert that entrepreneurs believe themselves to have a unique perception. Their advantage does not necessarily stem from the fact that they see an opportunity which others are unable to see. They may simply have seen the opportunity before others; or, what is more damaging to the Casson position, they may have acted on the opportunity while others, though recognising the same opportunity, hesitated or declined to proceed.

Casson defines the entrepreneur as "someone who specializes in taking judgmental decisions about the coordination of scarce resources."<sup>9</sup> The only difficulty with this definition is that it implies that the entrepreneur is a mere decision maker. It captures nothing of the characteristic energy; the willingness to shoulder responsibilities and assume risks; the indomitable spirit.

## STRATEGIC COMMITMENT

I suggest that the essence of entrepreneurial activity is 'strategic commitment'. This has two elements — firstly, strategic thought and

decision; and secondly, commitment based on that strategy. 'Strategic' as used here reflects its original meaning. The Oxford English Dictionary defines strategy as "the art of a commander-in-chief; the art of projecting and directing the larger military movements and operations of a campaign."

Chandler appears to have been responsible for the first specific application of the term to business activity. He defined strategy as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." He also contrasted strategic decisions with tactical decisions which deal with "the day-to-day activities necessary for efficient and smooth operations."<sup>10</sup>

Strategic decision then is concerned with changing the firm's relationship to its environment.<sup>11</sup> However, it is important to emphasise that the focus is not usually on a single strategic decision. Rather the concern is with the strategic dimension — the capacity to see the overall picture — to deal with a multitude of variables simultaneously and to exploit their interactions. Successful enterprise requires a strategic campaign, i.e., the continual application of strategy. Commitment provides the continuity which links a series of strategic decisions.

As already indicated, 'commitment' in the present context has three distinct connotations — resource commitment, psychological commitment, and organisational commitment. The first reflects the commitment of physical and human resources for a specific purpose, a commitment which may be irrevocable or only reversible at significant cost. Inevitably there is an element of sunk costs in resource commitment which may extend beyond the temporary opportunity cost of the committed resources. Physical resources are usually at least partially recoverable, but the human resources employed in such areas as project planning or market development may be totally non-recoverable.

Secondly, and most importantly, there is commitment in the psychological sense — committing oneself to a course of action. The notion of psychological commitment reflects the realisation that the entrepreneurial act is not simply a choice between alternatives. It is usually a test of the nerve, of the willpower, of the self-confidence of the entrepreneur. In many cases it requires the application of all their energy and ingenuity to transform an initial decision into a successfully completed project. It is psychological commitment which accounts for the goal-directed drive which often borders on the manic — or perhaps the commitment is the product of that drive.

Organisational commitment is a product of the other two types of commitment. It relates to the human resources committed to a project — in particular at the managerial level. It is also so closely allied to psychological commitment that it is virtually a subset of it. It frequently derives from the charismatic quality of the leader. Subordinates perceive the leader's total commitment to the project and the spirit of that commitment is transferred to them. As a result a team spirit or group

dynamic develops which greatly increases the productivity and potential of the organisation. It is also, of course, quite possible that a leader who lacks charisma can generate organisational commitment through skilled manipulation of subordinates.

The strategic dimension of entrepreneurial activity is recognised by virtually every writer on the subject. However the aspect of commitment has tended to be ignored. Nevertheless, there are a number of authors in whose work the notion of commitment can be clearly identified. More than two centuries ago, Jean Baptiste Say recognised that successful entrepreneurs needed to possess two qualities. The most important was judgement, and in particular, an unerring market sense. But, in addition, they needed firmness of purpose and judicious courage enabling them to envisage all sorts of risks and to use all means to overcome them.<sup>12</sup>

Francis A. Walker, in writing of the special rôle of the entrepreneur class noted that the man with "the genius to plan" might find a host of helpers who could execute his plans nearly as well as he himself could but who

would have been wholly helpless and amazed in the presence of the exigencies, the difficulties, the dangers, which only arouse the spirit of the master, stimulate his faculties, and afford him the keenest zest of enjoyment.<sup>13</sup>

At the highest level were "rarely-gifted persons"

whose commercial dealings have the air of magic; who have such power of insight as almost to seem to have the power of foresight; who are so resolute and firm in temper that apprehensions and alarms and repeated shocks of disaster never cause them to relax their hold or change their course; who have such command over men that all with whom they have to do acquire vigor from the contact.<sup>14</sup>

Werner Sombart, in his discussion of the "spirit of undertaking", focussed on the psychological qualities necessary for carrying out an enterprise. First, the undertaker must possess a calculating faculty and the imagination to form a well-defined plan. Then he must have the intellectual energy and the will to carry out his plan. Finally he would require diligent application, so that he would not be distracted from carrying his scheme through.

Your true undertaker, who is a conqueror, will have sufficient determination and strength to break down any obstacle that stands in his way. But he must be a conqueror also in his ability to take high risks, and to stake his all in order to achieve greatly. In this he is akin to the gambler.

Sum it all up, and what is his mental outfit? Intellectual elasticity, mental energy, and intensity and constancy of will.<sup>15</sup>

J.M. Keynes argued that it was a characteristic of human nature that positive action usually depended on spontaneous optimism rather than on mathematical expectation. Enterprise was mainly actuated by a "spontaneous urge to action" and not the "outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities."

He asserted that:

... individual initiative will only be adequate when reasonable calculation is supplemented by animal spirits so that the thought of ultimate loss which often overtakes pioneers ... is put aside as a healthy man puts aside the expectation of death.<sup>16</sup>

Joseph Schumpeter identified the entrepreneur as a special type of person whose aptitude for a special and rare type of conduct constituted his most outstanding characteristic. At the highest level of economic initiative one can identify "a type characterised by super-normal qualities of intellect and will."<sup>17</sup> The distinctive activity of the entrepreneur was innovation, the "carrying out of new combinations".

In Schumpeter's schema it is clear that carrying out new combinations required a degree of involvement far beyond simply perceiving an opportunity and deciding to take advantage of it. In fact he belittled the importance of seeing opportunities. It was no part of the function of the leader to "find" or "create" new possibilities. They are always present in abundance. The leader's rôle consists in "doing the thing". Will is needed more than intellect; "authority" and "personal weight" rather than original ideas.<sup>18</sup>

New commodities, new qualities, and even *new quantities* of commodities had to be forced upon the public by the initiative of entrepreneurs. The innovator, the "disturber of the peace", had to create his own market.

Successful innovation ... is a special case of the social phenomenon of leadership. Its difficulty consisting in the resistances and uncertainties incident to doing what has not been done before, it is accessible for, and appeals to, only a distinct type which is rare ... To overcome these difficulties incident to change of practice is the function characteristic of the entrepreneur.<sup>19</sup>

In a later article he asserted:

The entrepreneurial performance involves, on the one hand, the ability to perceive new opportunities that cannot be proved at the moment at which action has to be taken, and, on the other hand, will power adequate to break down the resistance that the social environment offers to change.<sup>20</sup>

This statement expresses clearly and succinctly the nature of the strategic commitment relationship.

## SHACKLE ON IMAGINATION AND CHOICE

Shackle's work on choice<sup>21</sup> provides a fruitful and relevant conceptual framework for the analysis of entrepreneurial activity. For Shackle time is not a continuum stretching from the past into the future. He asserts that we can know nothing beyond the present moment because what we know is thought and thought is the present. However the present thought is always being replaced by another from the void of time. Thus

thought is transient and time is the transience of thought. Thought originates a history which has no form or existence until thought summons it from the void of time-to-come.

His approach rejects determinism in favour of what he calls decisionism, which recognises the originiative rôle of decision or choice. Choice is a *beginning*; that is, a taking place which is not implicit in its antecedents; a taking place such that the sequel would be different if the choice were different. It is in effect an uncaused cause.

The notion of ultimate cause, an *ex nihilo* origination, is part of the notion of effective, inceptive, originative, and powerful choice, which can be contrasted to the deterministic notion of choice as a sterile and passive response to circumstances and tastes.

Choice is basically an attempt by the thinking being to exploit the circumstances presented to him by the field; in Cartesian terminology it is the relationship between *res cogitans* and *res extensa*. The field is conceived as the source of all impressions external to the thinking being.

The sequel of a present choice will itself contain non-implicit choices by both the chooser himself and others. Therefore the sequel of a present choice is unforeknowable. There is a skein of rival sequels of any present cause of action. Each of these histories-to-come has been imagined and deemed possible by the chooser, in the sense that he can discern no fatal obstacle to its realisation. It is important to emphasise that the imagined, deemed possible, can never be unique. There will always be a plurality of imagined sequels which appear to have no fatal obstacles. Some of these sequels will be desired by the chooser while others will be counter-desired or even have disastrous implications for him.

The necessary condition for an imagined course of affairs to affect choice is epistemic possibility, i.e., the absence from the chooser's awareness of any fatal obstacle to that course.

The essence or vital nature of the act of choice is commitment. "Choice is a resolve, a moral and not merely an intellectual act."<sup>22</sup> To a greater or lesser degree it involves the staking of moral coherence and self esteem on the actual taking of a series of steps in immediate or near time-to-come. Abandonment of his intentions will be hurtful to the chooser depending on the extent to which he has staked his self esteem.

There are a number of personal resources which the chooser will typically commit to the course of action. These include "the gifts of intellect and concentration, of moral effort and resolution, of physique, and of the power to out-reach by imagination his pressing weariness and despondency."<sup>23</sup> Choice of a particular course of action also involves the dedication of non-personal resources which precludes their being devoted to other tasks. These include physical materials, workers, tools and systems.

The rival 'choosables' can be thought of as rival *enterprises*, where enterprise is action in pursuit of imagination:

This term puts emphasis on the idea of commitment and on that of a burden, of a special sort, involved in this commitment, the burden, namely, of accepting in advance the outcome whatever it may prove to be, and of accepting it while it is unknown.<sup>24</sup>

For enterprise the void of time-to-come is a liberation. It provides a field of play where the rules are not fully defined and known from the outset but have to be endlessly discovered and even invented. Thus choice is seen as the exploitation of 'unknowledge'. Choice is able only to start ripples, whose effect can be seen to be constrained or bounded to some degree but not determined. Even in near time-to-come the effects can only be most vaguely and elusively foreknown.

Shackle continually stresses the theme that if we could in principle know the content of time-to-come, then that content would be beyond our power to influence in any way. Thus the decision maker is confronted not just by unknowledge but by unknowability:

[T]his content [of time-to-come] is not only unknown to [the chooser] but unknowable, because its form and character, the history-to-come which can be supposed to fill that time, waits to be created, to be *originated*, by choices to be made, now and in time-to-come, by himself and others. *Plural possibility* thus flows, not from the chooser's mere unknowledge of something knowable, but from the unknowability of the non-existent.<sup>25</sup>

An example of plural possibility, of a skein of rival sequels, is provided by the businessman's investment in a system of productive equipment. The exploitation of that system, once created, can take many alternative forms, each of which is able, so far as the businessman can tell when he makes his decision, to have any one of a wide range of success or failure. These alternative outcomes are not only affected by future decisions of the businessman himself but also by the decisions of a large number of other participants.<sup>26</sup>

Shackle sees investment as the most far-reaching and psychically demanding of the businessman's activities. It requires a remarkable range of "intellectual, emotional, moral and above all 'poetic' characters and qualities. What he needs of the poet's psychic endowment is imagination."<sup>27</sup> In the face of unknowledge "men act not upon calculation but upon suggestion, building upon foundations which they conjure up from one of many . . . possible interpretations of what they see."<sup>28</sup>

## RELEVANCE OF THE SHACKLE SCHEMA TO STRATEGIC COMMITMENT

Shackle's analysis is directed to choice or decision generally but it has particular application to entrepreneurial decision. Such decision can be seen to be the quintessence of the type of choice which influences momentarily the subsequent course of affairs; which changes fundamentally the nature of history-to-come. Shackle himself deals



specifically with entrepreneurial activity in a more recent contribution where he asserts that imagination, "the ultimate creative act of thought", is indispensable for the creator of a business, but he requires an additional quality. "He must have nerve. He must commit himself, he must stake his chips. For no man can know what will be the sequel of his chosen act."<sup>29</sup>

The Shackle schema is particularly enlightening for the analysis of the entrepreneurial 'edge' — the advantage which certain individuals are observed to have in respect of entrepreneurial activity. Relevant concepts here include the field and imagination but in particular we are concerned with the implications of unknowledge and unknowability.

Any two potential entrepreneurs will differ in their access to information, or in Shackle's terminology, the 'News' which they receive from the field. There may be substantial differences in the area and richness of the field from which they draw impressions. These differences may be fortuitous or may be due to systematic efforts to seek out information.

Potential entrepreneurs are also likely to have dissimilar perceptions of the possibilities that such News gives rise to. In the first instance this is due to the quality of imagination. Humans differ enormously in their capacity for creative thought. For those who excel in making intuitive leaps the vastly expanded menu of choices called forth by a particular situation may in itself provide a significant entrepreneurial edge, but this quality should also be viewed in the light of unknowledge.

Our analysis is assisted if we partition unknowledge into that which is unknown but potentially knowable and that which is inherently unknowable.<sup>30</sup> Individuals with experience either in the particular area of industry or in entrepreneurial endeavours generally may have an advantage in both areas of unknowledge. Obviously relevant experience means that the individual has a greater command of the potentially knowable than someone without such experience. As examples, the experienced industrialist may be able to estimate the effect which a particular new technology will have on productivity; or the management of a particular firm in a mature oligopoly may have good grounds for anticipating the reactions of rivals. By contrast, such situations would clearly be areas of unknowledge for the inexperienced.

Similarly, on the basis of their experience, particular individuals may justifiably feel confident that they can cope with the unknowable; that at the critical moments in time-to-come they will be able to make the appropriate choices. The basis of their self-confidence may be their detailed understanding of the particular industry or the fact that they have previously been able to make successful or at least non-disastrous choices when confronted with similar situations. This self-assurance may serve to enhance the degree of their psychological commitment. There is, of course, the opposite possibility, where the individual with greater unknowledge may be more self-confident precisely because they lack creative insight into what can go wrong in the particular situation.

The universality of unknowledge also means that the entrepreneur with a successful track record is likely to be more successful in achieving resource commitment. Potential suppliers of both debt and equity are more disposed to back someone who has previously demonstrated competence in the relevant area. Previous success is also likely to inspire the enthusiastic support of subordinates making it easier to achieve organisational commitment.

Focussing on the truly creative individual, it is obvious that the assumption of unknowledge provides enormous scope for the exercise of intuition, for seeing connections between quite diverse phenomena, for "connecting previously unrelated dimensions of experience", and for achieving "the defeat of habit by originality."<sup>31</sup>

Shackle can be clearly seen to support the idea that entrepreneurial activity consists of a campaign or sequence of decisions and actions rather than a single decision. He talks of *each* rival choosable being constituted by "a skein of histories-to-come imagined and deemed possible, but themselves mutually rival." He also refers to the nature of choice as "private moral commitment . . . [to] the actual taking of a *series of steps* in immediate or near time-to-come" (emphasis added).<sup>32</sup>

Shackle's emphasis on unknowability seems to put him at odds with Kirzner who typically uses the example of arbitrage when discussing entrepreneurial alertness. Unknowability is obviously quite central to Shackle's conception of entrepreneurial activity whereas fully informed arbitrage, by definition, leaves no scope for it. In fact Shackle, with his stress on the chooser as the originator of history-to-come, seems to be basically in the tradition of the Schumpeterian entrepreneur. Although Schumpeter interpreted his categories of innovators sufficiently broadly to encompass "merchants, manufacturers, financiers, etc.,"<sup>33</sup> they certainly were not intended to encompass arbitrageurs.

To my mind the great task for the economist working in this area is to understand and explain the contribution of say an Andrew Carnegie or a Henry Ford. We are not likely to make much progress in the analysis of this most complex of human behaviour by adopting a reductionist approach and focussing on the most trivial examples of enterprising behaviour.

## THE MILITARY ANALOGY

The military derivation of the term 'strategy' and its subsequent application to business activity suggest a link between the two fields. In fact it seems clear that similar attributes are required. Schumpeter saw a direct analogy:

As military action must be taken in a given strategic position even if all the data potentially procurable are not available, so also in economic life action must be taken without working out all the details of what is to be done.

Here the success of everything depends upon intuition, the capacity of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, discarding the unessential, even though one can give no account of the principles by which this is done.<sup>34</sup>

General von Clausewitz saw two qualities as indispensable in the military genius. First, he must have an intellect which, even in a situation of intense obscurity, possessed some traces of inner light which would lead him to the truth. Secondly, he must have the courage to follow this faint light. The first quality, the intuitive faculty, he believed was best expressed by the French phrase, *coup d'oeil*, which referred to the rapid discovery of truth either not visible to ordinary minds or only perceivable after long examination and reflection. The other quality he labelled 'resolution'.

Resolution was the product of an act of mind which overcame doubt and recognised the necessity of venturing even when there were insufficient grounds to justify proceeding. The man who was resolute was influenced by the fear of wavering or doubting rather than by the fear of failure.

Allied to these two principal qualities was 'presence of mind', denoting readiness for and rapidity of response to unexpected circumstances. Finally, Clausewitz's commander required "a great force of will".<sup>35</sup> Each of these qualities — intuition, resolution, presence of mind, and force of will, is relevant to entrepreneurial activity and can be identified with aspects of strategic commitment. The military analogy is also valuable in that it highlights the fact that strategy cannot legitimately be construed in terms of a single decision. It invariably evolves as the campaign develops — it is conditioned by the incessant responses of the environment.

## ON 'BEING AN ENTREPRENEUR'

Emphasis on the perception of opportunity or decision making as the entrepreneurial characteristic makes it difficult to think in terms of someone 'being an entrepreneur'. In any career there is likely to have been only a limited number of significant perceptions or actual entrepreneurial decisions.

On the other hand, it is very easy to see the career of a Rockefeller or a Carnegie in terms of strategic commitment. A very small proportion of their time was spent in actually taking the initial entrepreneurial decisions. By far the greater part of their time can be seen to have been taken up in implementing such decisions and continually modifying the project so that the full potential of the original idea was achieved or further developed and extended. A continuing commitment to improving their firm's relationship with its environment is observed. From that perspective such people can be clearly identified as entrepreneurs.

It seems appropriate then that the term 'entrepreneur' be reserved for persons who have demonstrated a singular aptitude for and commitment to enhancing their organisation's relationship with its environment.

The notion of strategic commitment also helps in understanding the large rewards which accrue to entrepreneurial success. Very few persons combine the aptitude for strategy with both the capacity for sustained action and the extreme degree of self-assurance necessary for success in the intensely competitive and unforgiving world of business enterprise. Like great military commanders, really significant entrepreneurs are exceptional people.

## **POLICY IMPLICATIONS OF STRATEGIC COMMITMENT**

Acknowledgement of the relevance of strategic commitment leads to a number of policy implications. The first of these concerns the corporation and its efforts to encourage entrepreneurship internally. The strategic commitment concept lends weight to recent research which has highlighted the critical rôle of the product 'champion'. As noted above, it is very rare for an individual to combine a high aptitude for strategic thinking with the personality characteristics of drive and determination necessary to generate and maintain strong commitment. Once it is recognised that such a conjunction is necessary, it is obvious that truly enterprising people are a genuinely scarce and valuable resource. Although they are usually difficult to work with, such individuals can create the ideal situation of an innovative project sponsored by a committed champion. Unfortunately there are no objective criteria for determining whether an idea is worth championing. People who are misguided or whose ideas are second rate can be just as committed as someone with a really brilliant insight.

Another area where strategic commitment has relevance to policy is in relation to the growing number of courses aimed at teaching people to become entrepreneurs. Identification of the qualities required for successful entrepreneurship leads to the realisation that the scope for such training is rather limited. The perception of opportunities is very largely an innate capacity. At its highest level it appears to be as instinctive as the superior reflexes of the gifted sportsperson. Similarly, intense and enduring commitment is basically a reflection of a particular type of personality, and the principal influences on personality appear to take place during early childhood. By the time of adulthood the major aspects of personality are probably already established. Therefore the appropriate rôle of education might be to supplement the specialised knowledge that enterprise in a particular area requires. Such studies might be in accounting, engineering or electronics, for example, rather than in how to be an entrepreneur.

It is often suggested that public policy with respect to entrepreneurs should be basically restricted to ensuring that initiative is not stifled. But there are two aspects to the question. In addition to society's impact on the entrepreneur, the entrepreneur's impact on society should be considered. The strategic commitment approach highlights the fact that entrepreneurs can be distinguished from other people by the degree of their resourcefulness and determination. These qualities often seem to be employed primarily to outwit other members of society. There is the need then to ensure that the price that society pays for the service of enterprise is not too high, and that not all the gains from such enterprise are expropriated by the entrepreneur.

## CONCLUSION

This paper has had two purposes. The first was to demonstrate that the essence of entrepreneurial activity consists of two distinct but interrelated elements — strategy and commitment. The strategic element is recognised by most writers. However, this paper has emphasised that entrepreneurship cannot usually be identified with single strategic decisions but rather with the continual application of strategy. It is more realistic to think in terms of a strategic campaign or continuum of decisions than a single strategic decision.

The element of commitment has not received recognition by many of the economists who have written on the theory of the entrepreneur. I have shown, however, that it was given prominence by a number of distinguished economists and sociologists. In particular, the concepts involved in the strategic commitment approach are seen to have been embodied in Shackle's work on imagination and choice. His emphasis on unknowledge and unknowability provides valuable insights for the analysis of entrepreneurial activity.

The second purpose was to argue that the word 'entrepreneur' should be reserved for use as a technical term which describes persons who have demonstrated aptitude for and commitment to enhancing their organisation's relationship with its environment.

Adoption of the strategic commitment approach to entrepreneurship is basically a recognition of the fact that enterprise in the economic sphere is just one dimension of enterprising human behaviour. As such it is not reducible to a single perception or decision at one point in time. Rather it is an expression of the human spirit, of creativity, and of the need to excel. Whatever one's views of the other personal qualities of particular entrepreneurs, it is essential to recognise and take account of the sheer exuberance and enthusiasm of the entrepreneurial type.

## NOTES AND REFERENCES

1. Friedrich von Wieser, *Social Economics*, translated by A.F. Hindrichs, Adelphi, New York, 1927, p. 328.
2. Ludwig von Mises, *Human Action*, Yale University Press, New York, 1949.
3. Israel M. Kirzner, *Discovery and the Capitalist Process*, The University of Chicago Press, Chicago, 1985, pp. 6, 7.
4. *ibid.*, p. 25.
5. *ibid.*, p. 22.
6. *ibid.*, p. 28.
7. Bruce W. Ross, 'The leisure factor in entrepreneurial success during the "Robber Baron" era', Department of Economics, University of Sydney, Working Paper No. 96, July 1987, pp. 18-19.
8. Mark Casson, *The Entrepreneur: An Economic Theory*, Martin Robertson, Oxford, 1982, p. 14.
9. *ibid.*, p. 23.
10. Alfred D. Chandler Jr., *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, The M.I.T. Press, Cambridge, Mass., 1962, pp. 11, 13. Chandler's pioneering usage is acknowledged by Peter Drucker, *Innovation and Entrepreneurship: Practice and Principles*, Heinemann, London, 1985, p. 193.
11. 'Strategic' is defined as "pertaining to the relation between the firm and its environment," in H. Igor Ansoff, *Corporate Strategy: An Analytical Approach to Business Policy for Growth and Expansion*, Penguin, Harmondsworth, 1968, p. 18.
12. G. Koolman, 'Say's conception of the role of the entrepreneur', *Economica*, 38, 151, August 1971, p. 275.
13. Francis A. Walker, *A Brief Text-Book of Political Economy*, Macmillan, London, 1885, p. 61.
14. *ibid.*, p. 208.
15. Werner Sombart, *The Quintessence of Capitalism: A Study of the History and Psychology of the Modern Business Man*, translated and edited by M. Epstein, T. Fisher Unwin, London, 1915, pp. 51-52.
16. John Maynard Keynes, *The General Theory of Employment Interest and Money*, Macmillan, London, 1964, p. 162.
17. Joseph A. Schumpeter, *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, and the Business Cycle*, translated by Redvers Opie, Harvard University Press, Cambridge, Mass., 1936, p. 81.
18. *ibid.*, p. 88.
19. Joseph A. Schumpeter, 'The instability of capitalism', *The Economic Journal*, 38, 151, September 1928, pp. 379-80.
20. Joseph A. Schumpeter, 'The creative response in economic history', *The Journal of Economic History*, 7, 2, November 1947, p. 157.
21. G.L.S. Shackle, *Imagination and the Nature of Choice*, Edinburgh University Press, Edinburgh, 1979.
22. *ibid.*, p. 15.
23. *ibid.*, p. 140.
24. *ibid.*, p. 139.
25. *ibid.*, p. 27.
26. Shackle's concentration on choice leads him to emphasise subsequent choices as the source of unknowledge, but there are obviously many factors other than human choice which also contribute to our lack of knowledge of history-to-come.
27. *ibid.*, p. 65.
28. *ibid.*, p. 76.
29. G.L.S. Shackle, Foreword to Robert F. Hébert and Albert N. Link, *The Entrepreneur: Mainstream Views and Radical Critiques*, Praeger, New York, 1982, pp. vii, viii.
30. The latter category calls to mind the examples provided by Keynes of "uncertain" knowledge of the future. Among these were "the prospect of a European war . . . , or the price of copper and the rate of interest twenty years hence, or the obsolescence

of a new invention, or the position of private wealth-owners in the social system in 1970. About these matters there is no scientific basis on which to form any calculable probability whatever. We simply do not know." 'The general theory of employment', *The Quarterly Journal of Economics*, 51, February 1937, pp. 213-14.

31. Arthur Koestler, *The Act of Creation*, Hutchinson, London, 1964, pp. 96, 706.
32. *Imagination and the Nature of Choice*, p. 15.
33. *The Theory of Economic Development*, p. 82.
34. *ibid.*, p. 85.
35. Karl von Clausewitz, 'The genius for war', Chapter 3 in *On War*, translated by J.J. Graham, Routledge and Kegan Paul, London, revised edn., vol. 1, 1966, (first published 1833).