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Putting Entrepreneurship into Agricultural Economics: Research and Teaching Perspectives—Discussion

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Two of the three papers presented in this session illustrate the challenges of defining the boundaries of entrepreneurship, and the other extends our perceptions about the concept to encompass interorganizational relationships. Together, they provide a reason to hope that entrepreneurship can enter the language and thinking of agricultural economists and influence our research, teaching, and outreach activities. The work presented by Ross and Westgren and Klein and Bullock provide good reference material for students and scholars interested in the evolution of economists' thinking about entrepreneurship. Unfortunately, they, like many before them, fail to address the pertinent gap in the literature: the boundary of entrepreneurship. But they can be forgiven because they make an implicit assumption about the absence of a clear boundary and proceed to address their core questions: i.e., can we teach entrepreneurship and what are an entrepreneur's rewards?

Developing an entrepreneurship pedagogy in agricultural economics is the focus of Klein and Bullock's paper. They draw on the rich literature that economists have contributed to entrepreneurship and attempt to explain why agricultural economists have not traditionally incorporated entrepreneurship into their curricula. Kent identifies the same problem for economists in general, arguing that the omission may be a result of the conceptual challenge of addressing a concept rooted in uncertainty within the neoclassical economics framework of perfect information. Casson points out that the lack of a consensus definition of entrepreneurship is another barrier to its integration into economics curricula. Both Klein and Bullock and Ross and Westgren provide evidence of the absence of consensus in their papers, and it is clear that the absence

of consensus emanates from the lack of a clear boundary for the concept.

While the literature amply suggests that the entrepreneur is an "embodiment of distinct functions in the market" (von Mises, p. 242), there is no clear definition of the boundaries of these functions to help demarcate where the entrepreneur and entrepreneurship begins and ends (Aldrich and Baker; Shane and Venkataraman). Therefore, let us begin with an attempt to develop a boundary for entrepreneurship that will facilitate the isolation of the entrepreneur and entrepreneurial activities.

Researchers agree that entrepreneurship involves discovery of opportunities with uncertain outcomes through alertness to the environment and the effective translations of such discoveries into desired ends (Knight; Schumpeter; Kirzner). Based on this, we identify two necessary conditions for boundary specification: *innovation* and *purposeful action*.

Opportunities with uncertain outcomes are innovations that, because they are "unique, single cases, and not members of a class"

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(Rothbard, p. 554), are uninsurable. The entrepreneur is the only one who can bear the uncertainties associated with these opportunities (von Thünen). Therefore, undertaking insurable activities falls outside the boundaries of entrepreneurship.

Purposeful action is the employment of means (strategies and resources) for the attainment of ends. It is objective driven, has a clear *raison d'être*, and involves well-defined strategies and the execution protocols to achieve desired outcomes. Within this context lie conversations about preferences and choice as well as strategy development and management. Actions that do not contribute to achieving defined objectives are deemed to lack purpose and fall outside the domain of purposeful action and hence the boundaries of entrepreneurship.

The intersection of innovation and purposeful action define the boundary of entrepreneurship. The term "entrepreneur," then, is reserved exclusively for the economic agent operating within this boundary; the one who is incessantly spotting and seizing innovations, and purposefully transforming them into desired outcomes. To this end, "the entrepreneur in education and the entrepreneur in health care . . . do very much the same things, use the same tools, and encounter the same problems as the entrepreneur in business or a labor union" (Drucker, p. 27).

The boundary definition for entrepreneurship presented suggests that neither the entrepreneur nor entrepreneurship is static. When the activity becomes homogeneous with others, thus ceasing to be unique and uncertain, it migrates outside the boundary of entrepreneurship, and the entrepreneur who continues to pursue such an activity becomes a manager (Palich and Bagby). The homogeneity of the activity and the loss of its uniqueness results from competition, a natural consequence of making above-normal profits in a market without credible entry barriers. When enough people undertake the activity, it becomes insurable because an objective distribution of its outcome can be calculated, and in so doing, loses its innovativeness. Therefore, unless the entrepreneur is incessantly recombining re-

sources to create new products, processes, markets, and/or new structures, he loses the rewards of entrepreneurship to competition.

The boundary of entrepreneurship presented here defines the entrepreneur's domain to encompass opportunity scoping, exploitation planning, resource acquisition, and execution strategies. These can become the primary content of an entrepreneurship curriculum (Fiet). But for agricultural economists to successfully incorporate different aspects of this into our programs, they need to close the cognitive gap between uncertainty (a prerequisite for entrepreneurship) and perfect information (an assumption of neoclassical economics). Should agricultural economists succeed in overcoming this gap, they will be positioning themselves to create a new breed of graduates capable of thriving in a profession and an industry experiencing uncertainty from rapid changes in technology and globalization.

But can we teach the principal components of entrepreneurship in agricultural economics? This is what Klein and Bullock attempted to address. Drawing on McGrath and MacMillan as well as von Mises, they conclude that opportunities for teaching opportunity identification, a central piece of the entrepreneurship process (Kirzner; Fiet), is limited. However, opportunity identification is a way of *seeing*. How can we teach our students to *see differently*? New interactive simulation tools that have been made pragmatic by low computer processing costs offer opportunities to teach opportunity discovery in the classroom. These technology tools require teachers to alter their views of how students learn and how both learning and knowledge are evaluated.

Klein and Bullock were optimistic that the continuous contact between economics and entrepreneurship researchers and scholars will help economists overcome the inertia to expand their domain to include the subject matter of entrepreneurship. Yet, in the end, only *entrepreneurial economists* will be able to see the opportunities embedded in incorporating entrepreneurship in their courses.

Ross and Westgren treat entrepreneurship as a factor of production and attempt to estimate its value (i.e., entrepreneurial rent) using

a dynamic modeling approach. The three components of their conceptual framework are changes in revenues, production costs, and transaction costs between the base period of performing a nonentrepreneurial activity and a period when entrepreneurial activities have occurred. They attempt to capture the different types of entrepreneurs identified in the literature: Cantillon's arbitrage entrepreneur is captured in the two-period (dynamic) analysis; Schumpeter's entrepreneur is captured in the innovation in the production function and/or new governance systems; Kirzner's entrepreneur is captured in the discovery of new markets; and so forth.

In the end, if we accept that entrepreneurs bear uncertainties (which are uninsurable), then their reward is the premium that they would have paid to insure the activity if it were insurable. In other words, the entrepreneur's rent is the residual after all factors—labor, capital, and management—have been paid their requisite fees. In this construct, we have to deduct the entrepreneur's compensation for any management, labor, or capital he or she personally supplies. Thus, while Ross and Westgren offer a framework to get at entrepreneurs' rent, they do not explicitly delineate their function, and in not doing this, they risk overestimating the economic return to entrepreneurial behavior.

Cook and Plunkett depart from the other two papers by introducing collective entrepreneurship as a new perspective on cooperatives and group action. They argue that changing market conditions are encouraging producers and producer-controlled firms to move away from using group action as a defensive strategy to using it as an offensive strategy. They discuss numerous shortcomings of the traditional group action business model and their adverse effect on organizations' ability to seize innovations and purposefully transform them into sustained competitiveness. By moving from a reactive frame to a proactive one, Cook and Plunkett argue that these organizations are undertaking *collective entrepreneurship*—i.e., seizing opportunities that are inherently uncertain with the purposeful objective of achieving specific ends. For example, pro-

ducers have, in recent years, been cooperating to seize opportunities emerging in downstream industries such as biodiesel and ethanol while communities are coming together to implement innovative solutions to local problems such as elder care.

Cook and Plunkett's effort brings interesting perspectives to the literature on cooperatives, allowing us to ask different questions and investigate unexplored problems. For example, we may draw on theories of corporate entrepreneurship (Burgelman; McGrath) and social exchange theory (Blau; Flynn) to enhance our understanding of opportunity scoping and strategy implementation within patron-owned and democratically controlled (one man, one vote) organizations. Collective entrepreneurship could also provide insights into how we treat entrepreneurship within supply chains and strategic alliances, and how we deal with the measurement and aggregation issues of entrepreneurial rewards across organizational boundaries. Development of the concepts presented by Cook and Plunkett may offer insights into how group action, as a governance mechanism, may evolve to support the competitiveness strategies of organizations.

While all three papers raise questions that are left unanswered, they more importantly open the door to new research and teaching opportunities for agricultural economists interested in entrepreneurship. They cause us to challenge the assumptions guiding our teaching of agricultural economics, the role of entrepreneurs in agricultural production systems, and the evolution of traditional cooperatives in a changing marketplace. Through their review of the literature on entrepreneurship, the authors have reiterated the definitional challenges that hamper effective treatment of entrepreneurship by economists.

Given the rapidly changing marketplace that confronts agri-food industries, our profession's relevance depends on how we, as agricultural economists, respond to the silent call by Klein and Bullock, Ross and Westgren, and Cook and Plunkett to be entrepreneurial in our teaching and research and accurately (in terms of economic principles) incorporate entrepre-

neurship into research, teaching, and outreach activities.

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