



## **Employment and Entrepreneurship: Changing Paradigm in the Context of Globalisation**

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### **Abstract**

*The focus of this paper was on entrepreneurship and paid employment. It assesses the dynamics, trends, and patterns of movement from paid internship to entrepreneurship. The global scenario as far as entrepreneurship and employment is concerned is presented. The assessment shows that the employment rate, which is low and affected by the economic situation in the global arena as well as in individual countries, stands as a big factor that affects movement from paid employment to entrepreneurship. Entrepreneurship presents as one of the most viable options to start or advance careers. Scholars have also been cited affirming that entrepreneurship bears significant benefits to economies around the globe. The recommendation that this paper gives is for governments to invest in entrepreneurship training in the wake of declining paid employment.*

**Keywords:** Entrepreneurship, paid employment, entrepreneur, economy, employment rate



## **Introduction**

It is widely acknowledged that entrepreneurial activity has a huge bearing on the economies of nations and the global economy at large. Badal (2010) recognizes entrepreneurial activities as important owing to the fact that they lead to the creation of jobs. As such, entrepreneurship has been a topic that conjures a lot of interest from time memorial. Economists have featured entrepreneurs as their major feature in their theories, either so as to establish differences between entrepreneurs and employees in organizations in the organization of resources or as boosters of change within societies. This trend has persisted to the present and recent studies have placed their focus on gaining a better understanding of the specific characteristics that influence the choices to venture into entrepreneurship as well as comprehending the characteristics that might raise the capacity of success for an entrepreneur. In specific, researchers have placed significant focus on the phenomena of employee entrepreneurship that sees employees starting up business that deals with the same line of work as the incumbent firm. A number of researchers examine the frequency and dynamics of new businesses that are started from scratch by entrepreneurs who subsequently move into self-employment. The beliefs, as well as attitudes regarding self-employment, have also been assessed in comparison to the attitudes of employees working in organizations. According to Badal (2010) and other scholars such as Agarwal et al. (2012), there is a significant reason to believe that entrepreneurial activities that emanate from employment sectors are significantly successful since they integrate the knowledge of parent firms with the flexibility that is brought about by entrepreneurial activities.

**The focus of the article:** The focus of the present article is to explore into the dynamics and current trend in the interplay between entrepreneurial activities and employment and get insights into understanding the reasons for the shift from employment to entrepreneurship and finally will focus on what is the role of the governments in entrepreneurship development.



## **Review of the literature:**

Regardless of the significance to both economic thinkers and policy makers, research on entrepreneurship and employment are partially impaired by monumental issues surrounding the definition entrepreneur and the demarcation between entrepreneurial activities and normal employment. Most of the empirical work has concentrated on self-employment(Alvarez, Agarwal, & Sorenson, 2006). But according to Schumpeter and Knight, entrepreneurs refer to individuals who introduce innovations to markets as they seek to create destruction and bear the risk of uncertainties surrounding the success of entrepreneurship work. From this definition, it is clear that self-employed individuals are not simply entrepreneurs(Demirgüç-Kunt, Klapper, & Panos, 2007). As a matter of fact, according to some researchers, some self-employment efforts and ventures can be explained as being lack of opportunities for employment. Similarly, Baumol (2013) differentiates between innovative and non-authentic entrepreneurs and contends that only innovative entrepreneurs are significant in the success of an economy in the long run. Conversely, non-authentic entrepreneurs are responsible for responding to growing population's local demand and are thus symptoms of an economy that grows rather than the causes of that growth.

In order to understand the dynamic and current trend in the interplay between entrepreneurial activities and employment, it is critical to draw the history of the focus on the subject. In the past century, Schumpeter contended that entrepreneurs are responsible for the financial and technical innovations that burgeon in the face of falling profits and rising competition(Baumol, 1979). Through developing novel products and establishing new ways of trading, entrepreneurs are credited for creating new avenues and markets for goods hence leading to bursts in economic activities in terms that may be seen as creative.

Over the years, both economists and researchers have included entrepreneurs in business theories and models, including in the theories of economists Robert Lucas and Theodore Schultz. According to Schultz (1975), entrepreneurs were seen as people with significant value that they



could generate through taking advantage of the opportunities they would create in developing new products hence causing disequilibria. The need for the new products was seen as significant and also as a respondent to technological developments (Klein & Cook, 2006). On the other hand, Lucas (2008) contended that firm managers or entrepreneurs were organizers of inputs. This is significant as the two terms, manager and entrepreneur, have been interchanged over the years. Based on the notion that only efficient managers could effectively organize inputs, Lucas contended that only efficient managers could venture into entrepreneurial activities, start firms, and run them (Lucas, 2008).

Recent work by scholars Sanandaji and Leeson (2010) and Hurst and Pugsley (2015) cast further insight in differentiating an entrepreneur from those who are self-employed. The insight is drawn from their study on the relationship between entrepreneurship in its salient forms and self-employment. By salient aspects, the researchers focus on innovation and business creation in both urban as well as rural areas (Hurst & Pugsley, 2015). A combination of data from firms around the world depicts a trend whereby employees of incumbent firms leave their work to get into self-employment with a number of the self-employments standing out to be innovative entrepreneurial activities (Preto, Baptista, & Lima, 2009). As such, the transition from paid employment to entrepreneurial activities has been studied and theorized with growing body of literature on entrepreneurs who have had previous experience working in organizations before founding their own ventures. In assessing the differences between the experiences of paid employees and entrepreneurs, notes that there are monumental differences. The author notes that paid employees know that their innovative ideas may never be addressed, and research shows that this may sadly be the case, especially in government positions. It has further been noted that all people who are salaried as employees are afraid of getting into independent entrepreneurial ventures. Goyal (2016) further compares the autonomy between an entrepreneur and paid employee and proceeds to contend that paid employees have talents that remain unexploited as opposed to entrepreneurs.

The characteristics of entrepreneurs have also been assessed by a number of authors in comparison to paid employment. From the strand of literature that specifically deals with the distinguishing



features of entrepreneurs and entrepreneurship, it is noted that entrepreneurs are risk takers sometimes venturing into impossibilities (Sanandaji & Leeson, 2013). For instance, consumers may be considered as conventional purchasers who do not buy online but an entrepreneur sees that from a different light (Henrekson & Sanandaji, 2011). The aspirations and activities of entrepreneurs are well noted in the literature showing that they see opportunities where others see uncertainty. For instance, Start-ups such as Starbucks, Microsoft, and Apple began as small ventures that sought to address issues that had been prevalent yet untouched by many. The examples are not a preserve of big brands but every entrepreneur is attempting to make the world a better place through solving the issues of consumers. In this study, the changing paradigms, as noted in the strand of literature on the current trend of venturing into entrepreneurial activities, are assessed. As such, this study will seek to shed insight into the issue of conversion from employment to entrepreneurship. That is, in the process of transitioning from paid employment to entrepreneurial activities. In considering the issue of timing, of when individuals move on to become entrepreneurs on their own, this study will consider empirical work from across the globe narrowing down to cases and trends in India. The evidence will interact well with theories and complement current findings in the area of study. The goal is to provide a characterization of the directional causality between the expected benefits from the exercise of entrepreneurship and the period spent in employment by most entrepreneurs prior to venturing into their private practice. Transitions between paid employment and entrepreneurial activities including transitions back to paid employment are commonplace yet they have only become popular among scholars. According to researchers, around a third of the young people, today are launching new ventures while a great majority of entrepreneurs are getting into ventures that have already been initiated. This pattern of mobility shows that the transition to new ventures or into entrepreneurial activities occurs within the period of paid employment, mostly during the early years (Sanandaji & Leeson, 2013). This is also the case for serial entrepreneurs who hold series of unique entrepreneurial experiences that have starting points and ending points.



## **Research methods:**

This paper is based on both descriptive and analytical research with a systematic review approach with studies on the research topic being considered for review. The researcher used keywords to search for relevant articles in journals and other relevant repositories. The keywords included employer ship, entrepreneurship, paid employment, and entrepreneurial activity. Phrases and connecting terms such as ‘versus’ and ‘movement from’ were utilized to ensure that relevant articles were extracted. The review of literature also focussed on the global sphere. The desk review was informed by theoretical approaches that elucidate the dynamics between paid employment and entrepreneurial activities. The models considered in this review had to provide a good and significant explanation of the trends in the market as far as a movement for paid employment to entrepreneurial activity is involved. With the general results from the various repositories, the researcher further narrowed down to the articles that focused on the scope of the study. In addition to the important information retrieved from journals, the research also considered papers that contained important information and that fit the classification of working papers hence able to be considered as being of reputable value.

## **Analysis and Interpretation**

Theoretical underpinnings from sociology focus on two approaches in the attempt to elucidate transition from paid employment to entrepreneurial activity. The attainment approach, for instance, perceives career as a sequence that is ordered including experience in the corporate world. Growth in the sequence represents positive progress as well as advancement. The conventional notion of attainment depends on the principles of steps, opportunities, and advancements, and is majorly focussed on the progress made in and outside formal organizations. Researchers in the field of career advancements consider the progress that people make and the speed at which they make this progress, considering their age, gender, and other demographics, in making inferences on their conclusions. Sharkey’s (2014) entrepreneurial entry model explains the transition of individuals



from paid employment to entrepreneurial activities arguing that the movement occurs based on the occurrence of opportunities within organizations and externally.

According to another theory referred to as the stage passages, transformations and transitions occur gradually with demarcated beginnings. A stage passage stands not only as a temporary phase that individuals go through as they move from one social role to another but as a significant change in the identity of an individual. The notion of entrepreneurship as a transformation of identity has attracted the enthusiasm of scholars over time. Soto (2010), for instance, considers moving from paid employment into entrepreneurship as a significant situation that involves a change in identity. According to Barnett and Dobrev (2011), transitioning into entrepreneurship is driven by identity dissonance – a conclusion that the authors make particularly on founders of ventures as they develop their space over time. On the other hand, though, there are some notions from the stage theory that have remained fallow. For instance, notions such as that transition from states such as being sick to being well or from being healthy to being sick represent movement across less desirable phases to better ones may or may not be reversible while others(de Soto, 2010). This has raised concerns over the dependency path and the reversibility and repeatability of various transitions with questions that have not caught the attention of many.

In most career cycles, a significant number of individuals usually move into entrepreneurship and this is likely a commonly shared model of the typical and ideal entrepreneurship engagement. Yet a fascinating perspective of entrepreneurship as a legitimized and socially accepted role is that there are various normative models. Compare, for instance, entrepreneurship to other commonly understood choices in careers such as in the health sector or in law(Dobrev & Barnett, 2015). These alternative paths in career are characterized by a strong age grading factor; some individuals who may have the desire to become physicians comprehend the timing and sequence of decisions that are needed to pursue that area. Hence, very few people select that career as a second choice. Entrepreneurship, on the other hand, appears to be branded by much more heterogeneity(Kickul & Lyons, 2012). In addition to the perceptions of entrepreneurship as the termination of a career in paid employment, the popular perception is well captioned by stories of entrepreneurial



activities initiated by school drop outs – Steve Jobs and Mark Zuckerberg. Similarly, a plethora of students in business schools turns to entrepreneurship once they complete school. Studies show that highly developed economies encourage entrepreneurship and there are fewer fears of moving from paid employment to entrepreneurship. In the United States, for instance, around 39% of new employments are being created every year with around 7% credited to entrepreneurial activity (Badal, 2010). Research also shows that the high degree of risk in the global economy – as evidenced by the high unemployment index levels that have led to job creation rates to stall and economic recovery efforts to be muted – has renewed the interest among many for entrepreneurial activity as the only means to generate significant economic growth.

Research also shows that the widespread secular language, increasing nationalist feelings, and reforms in social movements have had a fillip in the starting phase in the emergence of entrepreneurial activities.

Research acknowledges social entrepreneurs for their innovation and creativity which closes the gaps in the job market and development (Dobrev & Barnett, 2015; Sherwani & Sabiha, 2015). Whether to solve education, water, sanitation, or energy issues, social entrepreneurs are known to devise inventive methods to bring novel solutions to social issues. However, all this inventiveness may not necessarily solve the employers issue that is at hand or the generation of employment where jobs were not in existence before.

### **Findings and Discussion:**

In summary, it is clear that entrepreneurs are important and entrepreneurial activity is critical to any economy. That said, the role that entrepreneurs play in any economy bears significant influence to the nation and citizens – both employed and self-employed. This paper has discussed the various scenarios including movement from paid employment to entrepreneurship and founding start-up instead of advancing the career ladder in paid employment. The pressure experienced by economies in terms of high rates of employment have been cited as one of the influencing factors that underlie entrepreneurial activity. Further, the benefits of entrepreneurs to





the entrepreneurs themselves and to other parties have also been assessed as influencing factors that drive people to consider entrepreneurship. The former is a significant factor as young people with energy and intellect have to grapple to find success in the corporate world.

## **Conclusions:**

Keeping in view of a paradigm from employment to entrepreneurship trends, this study recommends that government in any country need to invest in training of those with the willing heart to venture into entrepreneurship, particularly, in countries where the economy may not be able to support the young and emerging talent, to be able to exploit the opportunities that are available. Governments need to set up own entrepreneur training institutions that can offer affordable training course to potential entrepreneurs.

Future development of research in this area: This paper attempted to study the changing paradigm of employment and entrepreneurship in the context of globalisation without country specific. Moreover, further research can explore into how the shift from employment to entrepreneurship has made an impact on the global economy.



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