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**"The Development of Firms and the Evolution of Markets
- The Entrepreneurial Role Reconsidered"**

ABSTRACT

The paper suggests three -- intertwined -- extensions to the N&W approach to evolutionary economics: (i) a systematic account of learning versus emphasis on the selection metaphor, (ii) the recognition of the entrepreneurial role as distinct from that of organizational routines, and (iii) the introduction of a systematic developmental context in organizational change.

"Economic natural selection", as Sid Winter once put it, suggests the idea of an external instance imposing selective pressure on alternative variants of organizational routines (or of running firms). Such an instance may be seen in the anonymous price mechanism. However, elimination by competitive market pressure is only the last resort by which less competitive firm behavior is eliminated. Usually, entrepreneurial self-sorting, anticipation of competitive disadvantages, and diverse sorts of imitative and innovative learning induce firms to change before they are selected out. Since learning differs from selection, its role in the N&W approach needs to be clarified.

Internally crafted changes in organization, production, and products not only highlight the difference between selection and learning, but suggest to pay attention too to the cognitive underpinnings of firm organizations. This requires, it is explained in the paper, to recognize the entrepreneurial role to shaping and/or attempting to change firm organization, a role that is neglected in N&W's approach.

The impact of the entrepreneurial inputs on the firm organization is not invariable. It systematically changes too as firm organizations grow and mature. Therefore, an important part of organizational change is "developmental" in the sense of an epigenetic unfolding of the interactions between the entrepreneur(s) and the other organization members in one and the same (growing) firm. These developmental processes are contingent on and, at the same time, interact significantly with, particular forms of evolving markets.