

# Following the Footsteps of Joseph Schumpeter to Offer an Explanatory Logic for the Speed-up of the Process of Change

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*The central premise of the paper is that the speed-up of the process of change that we are witnessing in the present era is the consequence of the speed-up of the development process engendered by the entrepreneurs. Using the ideas presented by Joseph Schumpeter in his seminal work 'Theory of Economic Development', the paper presents a model/framework as an explanatory logic for the speed-up of the development process. According to the model, the speed of the development process is a function of five variables: one, the number of entrepreneurs active in the marketplace; two, the magnitude of the entrepreneurial risk; three, the pace of innovation; four, the pace of implementation of entrepreneurial initiative; and five, the pace of change in market equilibrium following the entrepreneurial initiative.*

Field of Research: Entrepreneurship, Management

## **1. Introduction**

Joseph Schumpeter's (1959) in his seminal work 'Theory of Economic Development' has referred to the Entrepreneur as a creative destroyer and destructive creator par excellence whose characteristic task, theoretically as well as historically, is the breaking up and the creation of new traditions. According to Schumpeter, the economic system will not change capriciously on its own initiative but will at all times be connected with the preceding state of affairs, thus under normal circumstances a state of circular flow will prevail; the reason being, human affinity towards standardization. Generally the most efficient method/system developed over a period of time crystallizes into standards. Standards once developed are generally followed without making an effort towards analyzing and developing the best combination anew every time. It is the revolutionary force of the entrepreneur, the creative destroyer and the destructive creator who breaks the mould of the circular flow and initiates the process of development. Although the role of the entrepreneur applies primarily to his economic action, the implications of his actions extend to the moral, cultural, and social sectors too. Schumpeter's theory is important because it not only allows us to appreciate the concept of market mechanism (including the logic for Adam Smith's 'invisible hand'), but also because it helps us to understand the process of economic development (the outward shift of the production possibility frontiers) that eventually leads to a major change in our social and economic conditions.

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