

# *Frontiers of Entrepreneurship Research*

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*Volume 28, Issue 16*

2008

*Article 4*

## CHAPTER XVI. ENVIRONMENT

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### THE POTENTIAL OF PARSONS' SYSTEMS THEORY FOR THE STUDY OF ENTREPRENEURSHIP (SUMMARY)

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# THE POTENTIAL OF PARSONS' SYSTEMS THEORY FOR THE STUDY OF ENTREPRENEURSHIP (SUMMARY)

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## Abstract

The study of entrepreneurship currently benefits from the contributions of several insightful theoretical paradigms. Economic theories have developed the links between entrepreneurship and market characteristics and processes. Psychological theories have explored the elements of the entrepreneurial spirit. Sociological theories have highlighted the importance of social structures, developmental processes and ecological characteristics. Anthropological studies have further revealed the importance of local context and culture for entrepreneurial activity. Moreover there are visible overlaps in the perspectives and topics pursued by scholars from all of these fields. Importantly, however, most of the theoretical and empirical progress achieved in this field of study, to date, is founded on the importance of entrepreneurship as a key driver of economic growth. But what do we really know about this assumption? In the proposed paper, we argue for the development of a larger systems view of entrepreneurship where entrepreneurship is placed within the context of the larger social system. We take as our point of departure Talcott Parsons' systems theory (Parsons 1937; Parsons and Smelser 1956). Parsons developed an analytical framework comprised of four key functional imperatives found in every social system - adaptation, goals, integration, and latent pattern-maintenance, otherwise known as the AGIL framework. With development of this framework, Parsons was attempting to draw links between the system level structures and individual level social action. A contemporary of Schumpeter, Parsons specifically addressed the role of entrepreneurship in the overall functioning of society.

**KEYWORDS:** role of entrepreneurship, social system

## SUMMARY

### THE POTENTIAL OF PARSONS' SYSTEMS THEORY FOR THE STUDY OF ENTREPRENEURSHIP

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#### Principal Topic

The study of entrepreneurship currently benefits from the contributions of several insightful theoretical paradigms. Economic theories have developed the links between entrepreneurship and market characteristics and processes. Psychological theories have explored the elements of the entrepreneurial spirit. Sociological theories have highlighted the importance of social structures, developmental processes and ecological characteristics. Anthropological studies have further revealed the importance of local context and culture for entrepreneurial activity. Moreover there are visible overlaps in the perspectives and topics pursued by scholars from all of these fields. Importantly, however, most of the theoretical and empirical progress achieved in this field of study, to date, is founded on the importance of entrepreneurship as a key driver of economic growth. But what do we really know about this assumption? In the proposed paper, we argue for the development of a larger systems view of entrepreneurship where entrepreneurship is placed within the context of the larger social system. We take as our point of departure Talcott Parsons' systems theory (Parsons 1937; Parsons and Smelser 1956). Parsons developed an analytical framework comprised of four key functional imperatives found in every social system - adaptation, goals, integration, and latent pattern-maintenance, otherwise known as the AGIL framework. With development of this framework, Parsons was attempting to draw links between the system level structures and individual level social action. A contemporary of Schumpeter, Parsons specifically addressed the role of entrepreneurship in the overall functioning of society.

#### Method

To begin with, we present Parsons' AGIL framework and describe his definition of entrepreneurship and where it fits within his overall theoretical model. We go on to discuss Parsons' ideas in the context of the work of his contemporaries. We then look to recent developments in theorizing entrepreneurship, especially institutional economics and economic sociology, and discuss the pros and cons of Parsons' system view for the study of entrepreneurship in the context of this current theory and research. In the process we challenge the AGIL framework on several levels and offer a set of testable propositions that we hope will guide future research.

#### Results and Implications

We see great potential in Parsons' systems theory for better understanding the role that entrepreneurship plays at various levels of analysis within the larger social system. Like his peers, Parsons identified entrepreneurship as a key economic function in society. By defining entrepreneurship and innovation as a key integrative function for the economy, Parsons framed entrepreneurship and innovation as the key source of management and coordination in the economy, responsible for both solving market inefficiencies and transforming markets and the environment to better serve both the economy and society. However, Parsons' view placed the importance and nature of entrepreneurship strictly within the context of a multidimensional social system with a diverse set of requirements for survival and success. In fact, the AGIL framework highlights the tensions between the various functional imperatives which characterize both the environmental context within which entrepreneurship takes place and the entrepreneurial activity itself. We conclude that this system view is very compatible with current theories that focus on the embeddedness of entrepreneurial practice in highly interdependent communities and in institutional contexts.

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