

AUSTRIAN SCHOOL VS. BUSINESS SCHOOL

Some comparative considerations for entrepreneurial businesses.

Business School	Austrian School	Applicable Principles of Austrian Economics
Business Purpose: Train managers for large corporations.	Entrepreneurial Purpose: Understand how markets really work.	Markets as an entrepreneurially-driven dynamic process.
Academic antecedents: Borrow from university disciplines including economics, sociology and psychology.	Original analysis: Deductive method, rigorous cause-and-effect realism.	Praxeology.
Methodologies: Structural models, strategic frameworks, after-the-fact case studies.	Methodologies: Individualism, action, results, emergent outcomes.	Complex adaptive systems (agents interact with other agents, artifacts and systems, with dynamically emergent results).
Value-in-use: Firms create value by providing customers with useful products and services.	Value-in-experience: Consumers discover value within their own unique context as they design experiences facilitated by firms or brands or entrepreneurs.	Subjective value; Value Learning Processes.
Static models and theories of industries, firms, positioning within industries, and consumer preference and behaviors, derived from economic theories of equilibrium.	Dynamic understanding of all market processes. Consumers, firms, competitors interact and adapt in a process of continuous change.	Economic knowledge and the concept of dynamics - continuous creation and application of new decentralized tacit knowledge.
Positioning: Establishing a position within industry relative to the pre-existing positions of other firms.	Contributing and facilitating: Seeking to understand consumer preferences and desired experiences and contributing to their ability to effectuate their own experience, ignoring existing industry boundaries.	Facilitation of value.
Strategy: Creation of new market inefficiencies (differentiation from competitors) that can be exploited for profit.	Creativity and innovation: Creation of new ways to serve consumers and customers in the best possible way.	Austrian Business Model (value-centric business model).
Competition: Beat the competition by exploiting market gaps based on given consumer wants and needs.	Discovery: All entrepreneurial firms are engaged in the discovery of new ways for the consumer to do things they want to do and achieve a new experience.	Competition as a discovery process.
Substitution within industries: Goods and services as substitutes for each other, winning via better marketing and implementation.	Opportunity Cost: Compete for consumers' every use of their dollars with every possible alternative, including no action.	Consumer sovereignty.
Disruption/Creative Destruction: New products, services and firms invade existing markets and disruptively establish new cost-benefit terms, displacing incumbents.	Creative Advancement: Firms exist to entrepreneurially create new products, services, solutions and facilitated experiences that consumers prefer, making their lives better.	Preferences revealed via consumer choice and behavior.
Management of markets and businesses: Via the application of strategies, techniques and rules.	Entrepreneurial Journey: Entrepreneurs bring different views and facilitate greater value, enabling consumers to maximize their use of cash.	Entrepreneurship as a process.
Incubation: Defend and insulate early-stage businesses from the market until they become resilient.	Market Interaction: Continuous market exposure - only market interactions can indicate whether consumers perceive value in a firm's offering.	Consumer as ultimate decision maker.
Business plans: Formal preparation of comprehensive plans of action for resource assembly and market presentation.	Consumers create value: Consumers care only about actual entrepreneurial offerings and their subjective perceptions of value.	Entrepreneurial judgment, trial-and-error, act-and-learn.
The "Who" of entrepreneurship: Heroic and charismatic entrepreneurs and successful firms as subjects of study.	The "What" of entrepreneurship: what entrepreneurs do in the marketplace.	Entrepreneurship as action, e.g. Behavior-Action-Results (BAR) approach.
Consumer segmentation and classification: Assemble groups of like consumers for targeting, assuming they will behave consistently as a group and over time.	Focus on individual consumers: Establish one instance of mutual voluntary exchange. Analyze, understand and expand, while monitoring continuous change and individual differences.	Methodological Individualism.