

Business Economics And Entrepreneurship At the Crossroads

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Paper displays main entrepreneurship concepts and discusses some problems of obsolescence of business economics theory. Although entrepreneurship in economic theory has a long history, the consensus about its role in the development of national economies is still not reached. The main emphasis of reforms in transitional countries had been put on privatization instead on fostering entrepreneurship. We argue that the problems of low effectiveness of companies don't arise from ill-defined ownership rights, but from poor management. Along with clearly defined and regulated ownership rights, entrepreneurial management has to be enforced.

Introduction

Entrepreneur's function in the society is very old; it must be of the same age as the institutions of barter and trade, at least. In spite of that, the science of economics and other social sciences, e. g. sociology and psychology still didn't manage to define clearly the role of entrepreneurship and entrepreneur. A term comparable to *entrepreneur* can first be found in 1697, when Daniel Defoe, with the term *projector*, characterized the individual with similar attributes and roles as Joseph Schumpeter did with his creative and heroic innovator. Credit for introducing *entrepreneur* to economic literature must be given to Richard Cantillon, an Irish economist working in France, who in 1725 defined *entrepreneur* as a speculator who buys today at a lower price and hopes to sell tomorrow at a higher price, thereby creating profit. In a world of uncertainty, the entrepreneur is the primary agent of the economic system.

Since that time the hunting of Heffalump has been going on, as Peter Kilby pictured the problem of defining the entrepreneur and the entrepreneurship in his essay (Kilby, 1971, p. 1). Heffalump is a big and very important animal in the children's storybooks about Winnie-The-Pooh (Milne, A. A.: The House at Pooh Corner). No one has ever caught the Heffalump, those who try to convince us that

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they has seen him claim he's enormous, but everyone describes him in his own particular way. Nobody really believes them, and the hunting goes on.

Today we can roughly identify two basic ways of looking at the entrepreneur and entrepreneurship. One is mainly employed by economists, and the other by strategic and management theorists. Rare economists who find it worthwhile to investigate the phenomenon, see entrepreneurship as an economic function which supplies the economic (and social) system with the potential for both growth and development. The entrepreneur is seen as an individual who reshuffles resources and moves them from an area of low productivity to an area where they can contribute to higher productivity and lead to capital gains.

Within the field of management and strategy studies, entrepreneurship is mainly viewed as an entrepreneur's activity. Studying entrepreneurship means studying the entrepreneur. The elementary unit of analysis for this kind of research is therefore the individual – the entrepreneur – and entrepreneurship is defined by his/her actions.

The history of economic thought is full of varying concepts of the nature and role of the entrepreneur. Hebert and Link (1989) identified twelve different themes that can be found in the literature: *„The entrepreneur is the person who assumes the risk associated with uncertainty. The entrepreneur is the person who supplies financial capital. The entrepreneur is an innovator. The entrepreneur is a decision-maker. The entrepreneur is an industrial leader. The entrepreneur is a manager or superintendent. The entrepreneur is an organizer and co-ordinator of economic resources. The entrepreneur is the owner of an enterprise. The entrepreneur is an employer of factors of production. The entrepreneur is a contractor. The entrepreneur is an arbitrageur. The entrepreneur is an allocator of resources among alternative uses.“* (Hebert and Link, 1989, p. 41) At least three more may be added: *The entrepreneur is the destroyer of economic equilibrium. The entrepreneur is the creator of economic equilibrium. The entrepreneur is a resource completer* (Rebernik, 1998).

The research on entrepreneurship at the end of this century is far from being solely a realm of the economic science. In the last twenty years, the investigation into entrepreneurship became a distinct academic discipline which takes the learning of other disciplines and tries to integrate them into an autonomous body of knowledge (Bygrave, 1989). The entrepreneurship is *„a science of turbulence and change, not continuity“* (Bygrave, 1989, p. 28), and therefore a rather complex idea. Whenever we talk about entrepreneurship, *„we carry around a wide range of beliefs“* (Gartner, 1990, p. 28), what is easily seen from the overview of entrepreneurship concepts within economics, above. Filion (1997) estimates that more than 1 000 publications now appear annually in the field of entrepreneurship.

more than 50 conferences annual, and 25 specialized journals. Although there is no doubt that the theory of entrepreneurship must be „flexible and multidimensional to reflect its multidisciplinary roots“ (Filion, 1997), we still don't have an entrepreneurship theory (Ripsas, 1998).

Let us take a look at some of the most influential entrepreneurship concepts which reveal some of the background needed for understanding how to foster entrepreneurship in the regions of the transitional countries of Europe.

1. The Entrepreneur as Innovator

The notion of entrepreneur as an innovator is ascribed to Joseph Alois Schumpeter, who placed the entrepreneur at the core of economic progress. Economic development is a dynamic process, and the entrepreneur is its driving force. Without the entrepreneur there is no development: the whole economy is in a routine „circular flow of economic activities.“ The entrepreneur is needed to disturb the equilibrium. *„It is spontaneous and discontinuous change in the channels of the flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previously existing. Our theory of development is nothing but a treatment of this phenomenon and the processes incident to it.“* (Schumpeter, 1934, p. 64) Schumpeter's entrepreneur is the agent of change which he views as *„.... that kind of change arising from within the system which so displaces its equilibrium point that the new one cannot be reached from the old one by infinitesimal steps. Add successively as many mail coaches as you please, you will never get a railway thereby“* (Schumpeter, 1951, p. 64f).

Development takes place by the introduction of new combinations of resources. *„To produce means to combine materials and forces within our reach. To produce other things, or the same things by a different method, means to combine these materials and forces differently.“* (Schumpeter, 1934, p. 65). Not every „new combination“ is worth Schumpeter's analysis. Even though incremental improvements may in time lead to bigger changes that can mean growth, they do not constitute either a new phenomenon or development. In Schumpeter's view, only discontinuous changes represent development and only these Schumpeter regards as new combinations of production factors.

The economic development is defined by carrying out the following five new combinations:

1. *„The introduction of a new good - that is one with which consumers are not yet familiar - or a new quality of good.*
2. *The introduction of a new method of production, that is one not yet tested by experience in the branch of manufacture concerned, which need by no means*

be founded upon a discovery scientifically new, and can also exist in a new way of handling a commodity commercially.

3. *The opening of a new market, that is a market into which the particular branch of manufacture of the country in question has not previously entered, whether or not this market has existed before.*

4. *The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespective of whether this source already exists or whether it has first to be created.*

5. *The carrying out of the new organization of any industry, like the creation of a monopoly position (for example through trustification) or the breaking up of a monopoly position".* (Schumpeter, 1934, p. 66)

The one who introduces new combinations is an entrepreneur. Schumpeter assigned to the entrepreneur the role of innovator and drew a demarcation line between invention and innovation. His definitions of entrepreneur and enterprise are clear: „*The carrying out of new combinations we call 'enterprise'; the individuals whose function it is to carry them out we call 'entrepreneurs'.*“ (Schumpeter, 1934, p. 74) The definition of enterprise as a carrying out of new combinations stresses the importance of a very specific human property: the ability to think, to be creative and to innovate. For an enterprise to exist, an entrepreneur is needed. For an enterprise to grow, prosper and develop, an entrepreneur must constantly carry out new combinations of resources, which are at her/his disposal.

The survival of an enterprise depends on an entrepreneur's ability to innovate. The economic system (and the social, as well) needs an entrepreneur to carry out new combinations of production factors that will yield new products and services which satisfy the constantly changing needs of consumers. The process of „creative destruction“ led by the entrepreneur takes place. When the old equilibrium is destroyed and a new combination is established, the business process starts to repeat in a routine way: the managerial role replaces the entrepreneur's role.

2. Anyone Can Be an Entrepreneur: Entrepreneurship is a Human Activity

The heroic role of the Schumpeterian innovative entrepreneur is not for everyone. Not every woman or man has the necessary intelligence, power, skills, courage and knowledge to be an entrepreneur. Ludwig von Mises, the main representative of the Austrian school of economics, offered some good news: everybody is capable of entrepreneurial activities, for they invariably exist in all human activities (Moss, 1995, p. 98). In carrying out entrepreneurial activities, some people

are more successful than others and, from a sociological point of view, can be called „entrepreneurial types of people.“ But not all entrepreneurs are of the same breed: in addition to ordinary entrepreneurial people there are „entrepreneurs – promoters,“ pioneers that see the future more clearly than the crowd and that drive and promote economic development (von Mises, 1949, 254 – 255).

Again, Mises reserved for entrepreneurs the central role in the economic system. In so doing, he criticized the overwhelmingly accepted Robbins' orthodox definition of economics as the science which studies „... *human behaviour as a relationship between ends and scarce means which have alternate uses*“ (Robbins, 1935, p. 16).

The performing of entrepreneurial activity is crucial for a rapidly changing modern economy in which production factors do not come together incidentally. An entrepreneur is needed to combine them. Taking the entrepreneur out of the economic system means taking out the driving force (von Mises, 1949, p. 249). Thinking about entrepreneurship in Mises' way does not exclude the self-employed, small business owners and managers, Schumpeterian innovative entrepreneurs in big companies, or anyone else undertaking entrepreneurial decisions (Schultz, 1990, p. 35).

Mises recognized that people are not calculating machines that endlessly optimize (e. g. consumers calculating when marginal utility will equal marginal costs when they decide which and how many goods to buy; producers calculating when marginal revenue will equal marginal costs when they decide what and how much to produce; employees calculating when marginal income will equal negative marginal utility when they decide how many hours to work, etc.), they are also *alert to opportunities* (Barreto, 1989, p. 17).

3. To Be an Entrepreneur One Has to Be Alert to Opportunities

The alertness of an entrepreneur to hitherto unperceived opportunities is especially emphasized in the thinking of Israel Kirzner. His entrepreneur is vigilant and alert, always on the watch for potentially unexploited opportunities that no one else recognizes and for potentially valuable resources that are currently not in use (Kirzner, 1973, p. 35). The main role of the entrepreneur in the economic system is to look diligently for hitherto unperceived opportunities (Kirzner, 1973, p. 39).

Kirzner perceives the role of the entrepreneur in relation to economic equilibrium quite differently from Schumpeter (Kirzner, 1973, p. 72 – 75). As we have seen, the function of Schumpeter's entrepreneur is to disturb the existing equilibrium of the economic system. Entrepreneurial activity disrupts the monotonous routine of „circular flow of economic life,“ and the entrepreneur is the driving force inducing change and generating new opportunities. If Schumpeter's entrepreneur

destroys equilibrium, Kirzner's entrepreneur creates it. The starting position of Kirzner's entrepreneur is a state of disequilibrium. Nobody but the entrepreneur can bring about changes that will lead to the equilibrium of the economic system. Changes he will induce, will alter the existing pattern of wrong decisions associated with many missed opportunities. The entrepreneur will coordinate the market constituents that were in disharmony because of erroneous decisions in the past, and will tune up the market instruments.

Kirzner's entrepreneur is not a heroic and pioneering innovator, as painted by Schumpeter. He/she is an ordinary person who is thoughtful and alert, and therefore capable of recognizing and exploiting existing business opportunities, which await discovery. The entrepreneur stands in the center of processes taking place in a market economy.

4. An Entrepreneur Has to Complete Inputs and Fill in the Gaps in the Market

Life (and a market) is not perfect. The role of an entrepreneur is to fill in the gaps and to contribute to the functioning of the market. An important task the entrepreneur must fulfill is to employ inputs which are inherently ambiguous and undefined, although needed for production. Without those „soft“ production factors, such as leadership, motivation, capability of solving a crisis situation, responsibility, etc., there is no output. An entrepreneur possesses all these critical and unique characteristics. Leibenstein (1968, p. 75) seems to support this position when he characterizes the entrepreneur as having four major attributes: „.... *he connects different markets, he is capable of making up for market deficiencies (gap-filling), he is an 'input-completer,' and he creates and expands time-binding, input-transforming entities (i. e., firms).*“ Not all people have input-completing and gap-filling capabilities, only entrepreneurs: therefore, entrepreneurship is a scarce resource.

What we found to be very useful for contemplating situations in emerging markets countries is the uncommon Leibenstein's picture of the economy. He suggests to „.... *visualize the economy as a net made up of nodes and pathways. The nodes represent industries or households that receive inputs (or consumer goods) along the pathway and send outputs (final goods and inputs for the other commodities) to other nodes. The perfect competition model would be represented by a net that is complete, that has pathways that are well marked and well defined, that has well-marked and well-defined nodes, and one in which each element (i. e., firm or household) of each node deals with every other node along the pathways on equal terms for the same commodity. In the realistic model we*

have in mind there are holes and tears in the net. obstructions (knots) along the pathways, and some nodes and pathways are, where they exist, poorly marked or entirely unmarked from the viewpoint of element of other nodes. We may refer to this net as impeded, incomplete and 'dark' in contrast to the unimpeded and 'well-lit' net that represents the competitive model" (Leibenstein, 1968, p. 77).

Leibenstein's picture of the economy is obviously very different from the (neo)classical one. His way of visualizing the economy reveals an important point relevant for less developed economies: the less market institutions are developed and the less developed and stable are the „rules of the game,“ the more *holes and tears in the net* exist. On the one hand, this means that many unexploited opportunities exist which are waiting for entrepreneurs to seize them. On the other hand, entrepreneurship in such an environment is much riskier and of uncertain outcome, and therefore less attractive for potential entrepreneurs to join the tasks of input-completing and gap-filling. A lack of entrepreneurs exists, and the „darkness“ of such an economy increases – *a circulus vitiosus*.

5. The Ability to Deal With Disequilibria

Theodore Schultz (1975) argues not only that the entrepreneur has the abilities to deal with disequilibria, but also that such abilities can be gained and increased, especially with education. In accordance with the theory of human capital, he considers entrepreneurship to be found not only in business but also in many other human activities. In a dynamic economy, people go through different phases during their life-cycle – including, for many, an entrepreneurial one. *„A wide array of people at various points over the life cycle are entrepreneurs: not only bureaucrats and farmers but also laborers, students, housewives and consumers are entrepreneurs.“* (Schultz, 1980, p. 437) To agree with such a generous definition of entrepreneur, we have to accept the underlying concept that the essence of entrepreneurship is the *„ability to deal with disequilibria“*. (Schultz, 1975, p. 830) In a modern economy, many people – not only those engaged in business – consciously reallocate their resources in response to changes in economic conditions. *„Like intelligence, entrepreneurial ability is one of the general attributes of human beings.“* (Schultz, 1990, p. 6)

The elementary entrepreneurial ability characteristic of most people is not only the ability to deal with disequilibria, but also the ability to reallocate their resources. Every modernizing economy is in a state of permanent disequilibrium. The changes brought about by modernization result in perpetual questioning about how to allocate one's time and resources. The entrepreneurial abilities to deal with disequilibria and to reallocate resources can be innate or acquired. The acquired

part can be enhanced by experience, training or schooling and represents an investment in human capital (Schultz, 1990, p. 86).

Schultz emphasizes that people, when choosing freely, will usually endeavour to acquire abilities that will yield them the optimal utility from future earnings that are constrained by the resources at their disposal. The acquired abilities are very different and increase in variety with increasing specialization. They are largely the product of learning and experience, which take place when people are faced with changes in economic conditions. Unfortunately, the abilities acquired when reacting to one type of change in economic conditions are not productive when another (and different) change takes place (Schultz, 1990, p. 95 – 97).

6. Productive, Unproductive and Destructive Entrepreneurship

Another warning should also be taken into account: not every entrepreneurship is aimed at development. Baumol (1990, 1993) talks about productive, unproductive and destructive entrepreneurship. His basic idea is that *..... entrepreneurs are always with us and always play some substantial role*" (Baumol, 1990, p. 894). But the array of roles they play is very diverse, and there is no guarantee that the entrepreneur's efforts will be allocated in a way that follows the innovative and constructive image we usually have of entrepreneurs.

The rules of the game and the structure of payoffs that prevail in a particular society and time determine the behaviour of entrepreneurs. *..... it is this set of rules, and not the supply of entrepreneurs or the nature of their objectives that undergoes significant changes from one period to another, and helps to dictate the ultimate effect on the economy via the allocation of entrepreneurial resources.*" (Baumol, 1990, p. 894) Many definitions and roles can be found in the entrepreneurship aggregate: business founding and management, innovative entrepreneurship, imitative entrepreneurship, unproductive entrepreneurship and rent-seeking entrepreneurship (Baumol, 1993).

Unproductive entrepreneurship refers to the performing of entrepreneurial activities that enrich the entrepreneur, but do not increase the wealth of a society. In some cases, they may even play a destructive role (apart from the entrepreneurship of military dictatorships, destructive wars, etc.), especially when they obstruct the dissemination of technological knowledge and inventions.

When fostering entrepreneurship in emerging market countries, we need to have in mind that for achieving economic growth and development, it is important to 'correctly' allocate the efforts of entrepreneurs. If entrepreneurs are free to select where to allocate their entrepreneurial talents, visions, efforts, knowledge and skills, they may allot it to any of the following of Schumpeter's entrepreneurial

activities: the introduction of a new good, the introduction of a new method of production, the opening of a new market, the conquest of a new source, or the carrying out of the new organization of an industry. Because the supply of entrepreneurship in any society is limited, it is important for the development of a society to determine which activities will have priority. Why should entrepreneurs be more interested in the introduction of new goods than in carrying out the new organization of an industry, if not because of the present „rules of the game“? The rules of the game, which prevail in a certain society at a particular time, determine the motivation, values, and calculations of entrepreneurs about where to invest their abilities and efforts.

The rules of the game determine the structure of payoffs for entrepreneurial behaviour. The entrepreneur is an allocator of resources and simultaneously a resource that can be allocated.

Baumol proposes to expand Schumpeter's list of entrepreneurial activities with another one: rent-seeking innovations. *„If entrepreneurs are defined, simply, as persons who are ingenious and creative in finding ways to add to their wealth and prestige, then it is to be expected that not all of them will be overly concerned whether an activity that achieves these goals adds much or little to the social product, even whether it is an actual impediment to production.“* (Baumol, 1993, p. 28 – 29) If the rules of the game in a certain society are of a kind that does not oppose entrepreneurial rent-seeking activities or even supports them, more and more entrepreneurial efforts will be allocated to these activities. In this case, because of the limited supply of entrepreneurship, economic development will be slower than it might be if the society supported productive entrepreneurship.

The rules of the game are important for encouraging entrepreneurial activities, as many of Baumol's examples show. We should bear in mind that (1) the rules of the game that determine the relative payoffs for different entrepreneurial activities change dramatically in time and space, (2) entrepreneurial behavior changes from one economy to another in response to variations in the rules of the game, and (3) the allocation of entrepreneurship among productive and unproductive activities may deeply influence the innovativeness of the society and the rate of dissemination of technological innovations.

In his discussion of entrepreneurship, Baumol brought good news: the allocation of entrepreneurship *„between virtue and villainy,“* and *„... between productive and unproductive activities“* (Baumol, 1993, p. ix) can be directed and does not need to rely on slow cultural changes in order to *„find measures to redirect the flow of entrepreneurial activity toward more productive goals“* (Baumol, 1990, p. 919).

7. Fostering Entrepreneurship Within Companies

The remnants of old habits and old rules of the game are still very influential. We can still find beliefs that entrepreneurship can be limited to new firms formation, and entrepreneurs can be pushed to the area of the so called small business management and small business ownership. Though, in the last years it has become very clear that:

- entrepreneurship is also of crucial importance for big companies undergoing different phases of growth, downsizing, reengineering etc.;
- the ability to reshuffle (reallocate) resources is not restricted only to entrepreneurs within business systems, but can be found in many other human systems and activities, too.

The reshuffling of production factor means that entrepreneur innovates. Therefore, innovation is a specific 'tool' of entrepreneurs with which they exploit opportunities brought by changes in economic and social system. Entrepreneurship is in the very core of the process of innovative (= successful) business (Rebernik, 1990).

But, the level of setting free of their entrepreneurial abilities depends on the nature of organizational culture and on individual motivational factors determined by economic and social environment.

We may speak about external and internal condition for encouraging entrepreneurial activities within a company. The external influential factors of fostering the entrepreneurship are the availability of venture capital, institutional support for translating scientific and technological ideas into successful venture, active support of governmental and local authorities, protected property rights, and accelerated removing of the barriers hindering entrepreneurial behaviour (Smilor, 1986).

However, very important are becoming also the social status and the quality of life of current and future entrepreneurs.

The business system can maintain and develop intrapreneurship if the management structures focus on encouraging new ideas, providing resources for the development of new ideas, encouraging the flexibility, empowerment of employees, tailoring the reward structure that prefer innovativeness, etc. A new type of managing the company is needed, a type of management that is more appropriate for modern turbulent times that demand many entrepreneurs and a broad array of entrepreneurial behaviour. The introduction of new combinations of production factor is accelerated, and a modern company needs an ever increasing number of entrepreneurs. Instead of traditional management, and entrepreneurial management is needed.

8. Entrepreneurs and Managers

In a rather simplified way we can argue that the entrepreneurship deals with pursuing the opportunities regardless of the resources the entrepreneur has currently on his/her disposal, and with the establishing a new business (see e. g., Timmons, 1994). On the other hand, the management deals with running the given business. The entrepreneur is the person who is searching for opportunities to be exploited, and the manager is the person who seeks for methods and means of effective and efficient utilization of resources entrepreneur has gathered for the opportunity to be exploited.

In order to draw a more viable distinction between the entrepreneur and the manager one has to look into the core of doing business which is characterized by uncertainty, risk bearing, innovation, structure of payoffs, and the eternal economic question: who is the residual claimant of the venture's (undertaking's) benefit (Rebernik, Mulej, Kajzer, 1996). Hence: it is the manager's role to take care of a trouble-free „circular economic life cycle“ (Schumpeter, 1939, 1951), „evenly rotating economy“ (von Mises, 1949), or of keeping „the stationary state“ (Schultz, 1990). On the other hand, it is the entrepreneur's role to permanently ruin the equilibrium (as Schumpeter is convinced), or to permanently make this equilibrium (as Schultz believes).

The entrepreneur swings between the Scila and Caribde of the economic equilibrium and disequilibria and the manager takes care of the current processes, leaving discontinuities to the entrepreneur. In periods of discontinuity, business systems work in a complex and turbulent environment. They face permanent changing and are forced into a permanent switching between the managerial and entrepreneurial role of the human capital employed in the business system. Therefore, it makes more sense, from the viewpoint of running a business system, to discuss the *managerial and entrepreneurial functions* which are supposed to take place in a business system both at the same time, but with exchangingly bigger emphasis on one of them in single phases of the business process.

Thus, delimitation between the entrepreneurial and managerial roles and companies' orientations lets us see, that the entrepreneurship as a business function is of no single type, but rather a palette of behaviors (Stevenson, Roberts, Grousbeck, 1989).

On one pole, there is the type of running the business which is aware of its opportunity to take a chance disregarding the resources under current control.

On the other pole there is the type of running the business which encourages efficient management emphasizing efficient use of the current resources (Stevenson, Sahlman, 1986).

New ideas are not equal to new business opportunities. The managerial type of running a company does not perceive many new ideas as new opportunities due to the optics chosen according to sources available. The new project must meet current sources. Complexity of novelty requires a longer decision making process, which may be too long for the reaction to be quick enough, and the entrance obstacles to be low enough. A suitable risk management enables a quicker transfer of resources from one project to the other which enables a better exploitation of the given capacities. So do a suitable organizational structure, empowerment and decentralization of management (Rebernik, 1992; Halal, Geranmayeh, Pourdehnad, 1993).

9. Obsolete Business Economics

Prevailing business economics is occupied with a Newtonian, mechanical concept of the functioning of economic activities and economic laws (Mulej et al., 1992; Georgescu-Roegan, 1971). The main reason for the insufficiency and inappropriateness of prevailing traditional business economics for business systems which operate in turbulent environments is that the paradigm of economics was created in the entirely different circumstances of a relatively stable environment, where a static look at the firm was sufficient. As circumstances have changed radically, there is now an urgent need to establish a business economics theory which goes beyond markets, and is able to embrace and explain all the essential elements and linkages of modern business.

With the sterility of (neo)classic economics in mind, the last two and a half decades have shown that a number of alternative approaches have evolved: namely, the behavioural theory of the firm, the agency theory, transaction cost economics, evolutionary economics, and the resource-based view of the firm. These approaches are not fully mature yet and are yet to gain all the attributes of a normal science. For the time being, none of these theories is capable of offering a holistic view of an enterprise. They are much better suited than traditional business economics for investigation of man and his/her creativity. This is especially true, because they concentrate on research of the hierarchy, i. e., the firm, and they no longer view the market as the only possible coordination mechanism nor ownership as a middleman for company's efficiency and effectiveness.

The business environment is no longer stable and routinistic, and hence the routinistic business and established economic analysis is no longer adequate. Until recently, creativity (outside the frameworks of sociology and psychology) within a company, was nearly exclusively a topic of organizational and management sciences. Economics, anchored in the classic and neoclassic microeconomics tradition, did not really know what to do with creativity. With its concentration, first

and foremost, on markets and prices, production and cost functions, supply and demand, allocation of production resources and opportunity costs, etc., business economics failed to acknowledge creativity, innovativeness and entrepreneurship.

During the 70's and 80's, the situation changed. In order for a company to be able to cope with the growing complexity of its environment, quite a number of economic approaches evolved, which challenged the neoclassical neglect of the creativity and innovativeness of both the individual and the group. The radical changes in economic reality in recent decades demanded a radical rethinking of the role of man and his/her creativity. The company's environment is no longer stable, hence a static approach is no longer adequate. Current business economics theory still treats the human in an extremely narrow sense, only as a factor of production: namely, labor which, along with capital and land, are necessary for the production process. Even more, labor as a factor of production is considered only as a physical phenomenon. Words like quality, creativity, cooperation, imagination, emotion, individuality, corporate culture, synergy, even entrepreneurship and innovativeness, are not used in traditional business economics. Without them, however, there is no innovation, no innovative business, no quality, no efficiency and no long-term company effectiveness. The science of business economics is still overwhelmingly interested in people only as expenses or costs. Unless people are an item in the balance sheet, or in the income statement, canonic business economics pays no attention to them.

Upon viewing business economics as the science of the rational use of scarce resources, and looking at the development periods during the last century, we can discern the following phases:

- Factors of production (land, capital, and labor) were cheap and easy to access by entrepreneurs. This was the time of the formation of the basic paradigms of business economics, which made it into a normal science in the space of a few decades.
- Factors of production became increasingly scarce, more expensive, and needed to be organized to be exploited as rationally as possible. That is why the technological and economic principles of rationality were deployed.
- The production potential of the „hard“ production factors (land, capital, physical labor) is now diminishing and becoming scarcer and hence more expensive. Creative ideas and entrepreneurship, which were able to give birth to new value and new profit, are increasingly becoming important factors of production. It is only fresh and bold ideas, by which business opportunities can be identified and the necessary resources can be acquired for their fruitful exploitation that still assures progress (Rebernik, 1999).

The turbulent changes in a company's environment has disclosed some weak points of business economics as a normal science:

- It does not take into account that human creativity has become a scarce resource.
- It does not take into account that the hierarchy exists alongside the market, as a coordination mechanism, and alongside them exist other coordination mechanisms, that are far from having a profit motive as their basis.
- It does not take into account the fact that in the „information age.“ owning ideas and information is more important than owning capital.

The increasing importance of knowledge, new ideas and entrepreneurship is evident. We can say that a decade or two ago, the „hardware“ period in which hard production factors dominated, came to an end. People and their creativity have now become the crucial production factor, and economic science must be reformed and transformed to adapt to new realities (Rebernik, Mulej, 2000). Some paradigmatic shifts of business economics must be made.

Conclusions

According to transaction cost economics we understand the company to be a system of mutual relations which come to live when the arranging of the resources depends on the entrepreneur (Coase, 1937) – and not on the price mechanism: hence, the firm can justify its existence only by realizing its function at a cost smaller than the cost of the market and its price mechanism. It is exactly the absence of an efficient working of the entrepreneur's function which is one of the main reasons for the so called X-inefficiency (Leibenstein, 1966) of the firm. The X-inefficiency surfaces due to deficiencies in the enterprise's management. It always happens when the production factors disposable are used by the company in a way which, even if the right product is being produced, do so less productively than possible.

The point is, hence, to find an efficient combination of the production factors which is one of the entrepreneurial functions. This is why one cannot escape the importance of entrepreneurship and, along with it, innovation in order for the company to be efficient. The company's efficiency can, namely, not be achieved without permanently producing new products and services, and they cannot be produced unless the business process elements are new (different) as well as their combinations.

This is the point where we meet one of the crucially wrong and also fruitless approaches in the restructuring processes in Central and Eastern European countries. In the core of their efforts is not a creative entrepreneur but an owner. There is in the very starting point of the privatization concepts a supposition which has never been really questioned: it says that the goal of privatization is to find an

owner of the currently social and state owned resources. Many international institutions have measured the success of transitional processes by the percentage of privatized companies, not by increased GNP or, even less, by increased quality of life. They ignored the suggestion of property rights economics to defocus the attention from ownership to property rights and to the creation of proper incentives to assure an efficient allocation of scarce resources. At the same time they ignored the concept of the X-inefficiency which says very clearly that the basic problem does not lie in the ownership, but rather in the management of the resources (Rebernik, 1997).

The basic problem which the enterprises in Central and Eastern European countries are facing, and due to which the socialist/communist model of running the economy has proven historically inefficient, does not result from the ownership itself, but rather from an inefficient management of the assets. The problem of inefficiency of the transitional economies and their companies, therefore, cannot be solved on the liability side of the balance sheet, but rather by arranging and managing the resources in such a way that the business opportunities will be exploited in the most efficient possible way.

The nominating of the owner is far from being enough. The problems of low effectiveness of companies don't arise from the ownership, but from poor management. What is needed is not (only) the ownership, but entrepreneurial management. It's the type of management that recognizes that the essence of effective government of a company is the entrepreneurial management that searches for, implements and manages innovations and continuous improvement, what can't be done without a well organized managerial processes and an innovative support by the co-workers.

Within economic science, the twentieth century has been denoted with Robbins' definition of economics as being the science which studies „*human behavior as a relationship between ends and scarce means which have alternate uses*“ (Robbins, 1935, p. 16). We dare to predict that the economics of the this century will be denoted by entrepreneurship focused not on existing resources, but on opportunities.

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EKONÓMIA PODNIKANIA A PODNIKATEĽSTVA NA KRIŽOVATKÁCH

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Fenomén *podnikateľa* sa bezosporu stal jedným zo základných objektov revízií neoklasickej alokačnej statiky v ekonomickej teórii od druhej polovice 20. storočia. Príčinami tejto zmeny boli predovšetkým dva rozhodujúce momenty vystupujúce pri rozvoji ekonómie ako vedy, ktorej protagonisti sa prirodzene usilovali o úplné osamostatnenie jej vlastnej metodológie, a zároveň o ukotvenie multidisciplinárnych prvkov vlastného systému (ktorých typickým príkladom je fenomén *podnikania* a *podnikateľstva*) do samoregulačnej dynamiky ekonómie ako celku.

Tým prvým momentom je extrémne úsilie vynakladané na konzistentné (pre)definovanie *podnikateľa* ako ekonomického faktora, ktorého aktivity, jej konkrétne formy, intenzita a výsledky vedú za rámcovo definovaných základných podmienok „štandardnej“ neoklasickej mechaniky alokácie zdrojov k nastoleniu rovnováhy, alebo k jej narušeniu v predikovatelnom smere. Takýto zámer o skompletizovanie systému ekonómie ako samostatnej vedy sa, napokon, zreteľne prejavuje už ako základný cieľ neskorších prác J. A. Schumpetera (od roku 1934).

Druhým rozhodujúcim momentom, prirodzene rezultujúcim z rozpačitých výsledkov snaženia o vyriešenie práve uvedeného prvého, je pozicionovanie *podnikateľa* a *podnikateľstva* ako jedného z dvoch centrálnych fenomenologických objektov (novej) inštitucio-

nálnej ekonómie v jej rozličných smeroch. Nepochybne do tohto nezvykle diferencovaného a heterogénneho komplexu, poznačeného predimenzovaným úsilím o presadenie autoritatívnej novej paradigmy, patria také smery, ako napríklad requalifikovanie behaviorálnych a agentských teórií formy, (nová) ekonómia vlastníckych práv, ekonómia transakčných nákladov, ekonómia práva, inštitucionálno-evolučná ekonómia, teória tzv. neproduktívne vynakladaných ekonomických zdrojov – neskôr teória *rent-seekingu* atď. Pri všetkej divergencii tohto vývoja tu zohrali, a naďalej zohrávajú fundamentálnu úlohu dva zásadné príspevky – základné postuláty dynamiky firmy (a teda *podnikateľstva* ako takého) ako internalizácie transakčných nákladov medzi jednotlivými faktormi jej existencie a persistence Ronald Coaseho (1937) a koncept X – neefektívnosti Harveyho Leibensteina (1966). Oba predstavujú základ prekonania neoklasickej mechaniky spolupôsobenia jednotlivých výrobných faktorov a labilného prepojenia rovnováhy na mikro- a makroúrovni.

Tento príspevok, rešpektujúc, a zároveň reflektujúc uvedené systémové súvislosti, ponúka osobitnú reflexiu zložitej a nejednoznačnej problematiky endogenizácie fenoménov *podnikateľa* a *podnikateľstva* v komplexe ekonómie ako samostatnej sociálnej vedy. Keďže zjednodušený alokačno-distribučný koncept neoklasickej ekonómie, dynamiky a statickej rovnováhy trhu je, napriek všetkým naznačeným ideovým inováciám, stále jasne dominujúcou paradigmou schematickeho vnímania a analyzovania hospodárskych procesov, autor dôsledne konfrontuje tradičnú schému jej vývoja a zmien v 20. storočí vo vzťahu k faktoru *podnikateľstva*. Predstavuje koncepcie permanentnej deštrukcie rovnováhy v trhovej ekonomike ako základnej funkcie podnikania a inovácií (J. A. Schumpeter, 1934), von Misesovu (1949) praxologickú alternatívu Robbinsovej ortodoxnej neoklasickej metodológie, hodnotovo neutrálnu a rovnováhu znovanastofujúcu koncepciu podnikateľa I. Kirznera (1973), Schultzov generálny prístup k podnikateľstvu ako k modálnej vlastnosti ľudského kapitálu všeobecne (1975), Leibensteinovu koncepciu X – neefektívnosti (1966), ako i pokus o novú klasifikáciu produktívneho, neproduktívneho a deštruktívneho *podnikateľstva* W. Baumola (1990), uskutočnený v snahe o systemizáciu interdependencií jednotlivých prúdov (novej) inštitucionálnej ekonómie v ich vzťahu k všeobecnej ekonomickej teórii.

V nadväznosti na tento prehľad autor v časti *Obsolete Business Economics* opätovne identifikuje vnútornú neschopnosť neoklasickej newtoniánskej mechaniky analýzy vývoja hospodárskeho pohybu formalizovať dynamiku *podnikateľa* a *podnikateľstva* v komplexe ekonómie, pričom tu zároveň poskytuje zaujímavý evolučno-faktorový model. V závere zdôrazňuje nedostatočnosť povrchnej hypotézy o samorovnovážnej transformačnej stratégii, založenej len na vytvorení nominatívnych absolutizovane pozicionálnych vlastníckych vzťahov, a zdôrazňuje faktor neefektívnosti manažmentu ekonomických aktív ako základnú príčinu nedostatočnej kreatívnej endogenity *podnikania* a *podnikateľstva* v trazitívnych ekonomikách a spoločnostiach.