

Intrinsic Contradictions of Entrepreneurship Development and Self-development

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Abstract—The intrinsic contradictions of entrepreneurship development and self-development strategies complicate the task of reaching compliance between the state economic policy and the company entrepreneurship policy: on the one hand, there is a contradiction between the social and the competitive order within economic order policy and on the other hand, the contradiction exists between entrepreneurship strategy and entrepreneurship culture within entrepreneurship policy.

Keywords—Economic Order Policy, Entrepreneurship, Development Contradictions, Self-Development Contradictions.

I. METHODOLOGY

BOTH general and specific research methods are used in this article, namely - the methods of analysis, synthesis, induction, deduction, scientific abstraction, comparative analysis, statistics (selection, grouping, observation, dynamics, etc.), static, as well as the methods of experimental evaluation.

II. RESULTS

The problem of state economic policy and entrepreneurship policy compatibility is, first of all, manifested in the intrinsic contradictions of entrepreneurship development and self-development strategies.

There is a general agreement that in order to promote entrepreneurship, the government should develop and implement economic policy, contributing to:

- retaining territorial integrity of a country;
- observation of property rights and political stability;
- improvement of market conditions;
- stimulation of internal investments and creation of the adequate environment for foreign investors;
- development of small and medium-sized enterprises;
- formation of the competitive environment and its protection by means of the appropriate mechanisms;
- free trade and world market orientation;
- operation of the preferential credit and tax system;
- harnessing inflation processes and reducing its rate;
- implementation of the research and technological advances; etc.

Among the various types of policies implemented by the state for the purpose of entrepreneurship development strategy (financial, monetary, social, etc.), a special importance is attached to the policy of economic order. Its goal is to set framework conditions for both public and private economic

activity [15] and ensure compliance between public regulation system and the formation of the economic order framework conditions [13].

In the globalizing world economy the contents of any open economy order policy is increasingly determined by external forces [13]. However there are viewpoints which challenge the tenets of the neoliberal free market approach specifically in international settings. If the area for national activities is shrunk, there will be threat of considering international development as an ordinary statement. In addition to it, the critical question about who needs globalization and how the welfare advantages are allocated, will not be raised any more. The risks for the world economic order may increase, if for example, the developing countries which have little benefits from the globalization process will no longer be ready for “united actions” [15].

Special problems within the order policy arise, when the state admits existence of divergent goals. Under market economic order optimal allocation of resources comes at the forefront. However social development cannot be based only on it. If the market economic order meets the security and justice goals, then the state should not draw line between the distribution and redistribution policies. If nevertheless this is the case, it indicates that the resolution of conflict between the goals, will not be oriented only on the concept of order policy, rather it will be attained through the political power of interest groups and power sustaining policy [15].

The conflict between the economic and political goals is related to the evaluation problems, which make it difficult to make economic and political decisions. The causes of such competitive relationships between the economic and political goals will be found, when the following are identified:

- how many instruments are needed in order to achieve the goal;
- how the instruments for achieving the complex of goals are applied according to the available skills;
- under which side-effects the goal is realized.

One of the reasons behind the goal conflict is the divergence between the predetermined goal and the means for achieving it. However it does not necessarily imply that qualitative relationships between the goals and means are the prerequisite of the political-economic success. This is due to the limited number of instruments as well as the side-effect related uncertainty [11].

If we tried to distribute instruments according to the economic and political tasks (it refers to order, application and stabilizations policies, as well as the distribution policy instruments (then we would have to make pre-estimations of

those basic and side effects, in which the instruments result [11]. In this case we should consider the situation that all the socio-economic technologies of management are eventually evaluated by the responses of the economic agents to them [3]. The latter leads to the uncertainties related to the way of the economic instrument application and their outcomes.

The economic order policy involves intrinsic contradictions between the competitive and the social orders. The competitive order is oriented on the principle of success, while the social order _ on the need satisfaction criteria, which, at least partly, are conflicting with the principle of success [15]. Thus within the economic order policy, on the one hand, state makes efforts to establish social order and expand its frontiers, and, on the other hand, market is determined to form functioning competitive order and ensure that it be realized. Locating the adequate spaces for and “setting” the rational border between the state (social order) and the private (competitive order) activities, represent the decisively important phenomenon from the entrepreneurship development strategy standpoint.

In the countries where the above mentioned spaces and borders are “set” correctly, entrepreneurship agents (small, medium-sized and large businesses) achieve great success by means of “seizing” the respective segments and maintaining the leading positions in the internal, the European and the world markets for a long time [12].

As for the entrepreneurship self-development strategy, above all, it involves:

- market identification;
- interactions with consumers;
- continuous innovations;
- competition strategy;
- relationships with partners;
- new management philosophy, etc.

Both entrepreneurship development and self- development strategies are characterized by the intrinsic contradictions. This is the problem of compliance between the entrepreneurship strategy and entrepreneurship culture [8].

Identification of entrepreneurship goal and market is the starting point for successful entrepreneurship strategy. World market leader small and medium sized enterprises view their markets narrowly, meaning that they are characterized by “deep” product lines. The quantity of goods can be the same for “broad” or “deep” suppliers; on the contrary, the structure of product line and its direction are fundamentally different. To discuss this difference another perspective is offered by “value chain” developed by Porter. For the producers of “broad” line, value chain would be broad (many types of different goods and services or markets), but the section served within the value chain would be short. The suppliers of “deep” line would have more narrow value chain (one market or good and service) but it would cover longer section of this chain. Leader enterprises, as a rule, prefer “narrow” and “deep” strategy and the super-suppliers of niches observe this conception most thoroughly. Small and medium-sized enterprises which take leading positions in the world market, usually prefer “narrow” and “deep” strategy and super-

suppliers of niches follow this concept most consistently [9], because it enables us to avoid the need of making difficult choice [10].

Due to narrow specialization small and medium-sized enterprises depend on their (often too small number of) consumers. At the same time the consumers cannot get along without their goods and services, because they often produce the only type of a product, which is not easily substitutable. Such a situation involves responsibility of both sides and provides guarantee for long term cooperation. As a result of fundamental theoretical analysis Christian Homburg proved that closeness to consumers is determined by two dimensions. They involve: “goods and services” and “interaction”. Both of these dimensions of closeness to consumers are approximately equally important for business contacts. Leader enterprises strive to realize closeness through both dimensions in the same way. They are suppliers of the best “goods and services”, but show their strength by the “interaction” dimension as well. International leaders’ advantages over large enterprises are due to “interaction”, while over small enterprises due to “goods and services” [1].

The only way for their long-term and stable success is continuous innovation. Technology is an important way towards innovation. It is convenient to work in the environment, where technological innovations are stimulated. The enterprises, which cannot find such an environment, need special efforts to eradicate this shortcoming of entrepreneurship “climate” (for example through education, cooperation between suppliers and consumers). The environment should be understood as more influential parameter, rather than some pre-determined phenomenon. The performance of successful enterprises confirms that they should not have one-sided orientation: neither only on technology, nor only on the market. This means that an enterprise should match resource-based (“inside out”) strategy with market opportunity (“outside in”) strategy. Only when internal competencies and external opportunities are matched, the enterprise can realize its full potential [14].

The competition strategy of leader enterprises is more differentiation, than cost advantage oriented. Despite this priority they do not neglect costs at all and try to offer nice goods and services to the consumers at acceptable prices. Small and medium sized enterprises adapt their goods and services with consumer needs very well and create competitive advantages through the quality of goods and services. Their competitive advantages can be sustained for long, because they are based on better internal competencies compared with those of competitors, which cannot be easily replicated [6].

Competitive advantage is more rational, more advantageous activity compared with competitors (production of better goods, better services, etc.), which should meet the following three conditions:

- be significant for consumers;
- be perceived by them and
- be long-lasting.

If, for example packaging is insignificant for consumers, then, naturally, it will be useless for gaining competitive advantage. If products are characterized by relatively long life span, but the consumers do not recognize or perceive this virtue, then it cannot be regarded competitive advantage [6]. Reduction of costs by an enterprise, which does not hold cost advantage, may immediately lead to competition and retaining price advantages will be impossible for a long time. Thus realization of the three criteria “significant - perceived – long-lasting” is a great requirement [7].

Except for consumers and competitors there are partners too, which are relevant for entrepreneurship strategy. For example, they involve suppliers as well as partners within strategic alliances or other forms of cooperation. Leader enterprises do not attach strategic alliance a great importance. Even in foreign markets they tend to act alone and reject help from third parties. In addition to it, they rely more on their own potential, rather than the illusion that others will solve their problems. The strong are alone. This is true of the leader enterprises too. Dealing with the world market requires that the enterprises should not delegate those core defining functions and activities (insourcing) on which their dominant position is based. As a result of it, each enterprise goes on operation in such an “environment” which guarantees continuously increasing gains.

Leader enterprises have very strong and at the same time specific entrepreneurial culture. Identification of the employees with the goals and values of the enterprise is much stronger here than in other firms. A very high degree of motivation affects and results in the reduction of long-term employee fluctuation. Employees as members of one collective, pull the “rope” in such a way that less energy is consumed by internal conflicts.

Heinrich Flick was the first to direct attention to the meaning of “both ... and” philosophy in conducting entrepreneurship. In his view, one should be firm in basic principles and flexible/liberal in details. This is the “both... and” approach that determines the rule for leader enterprise activities. This conclusion involves warning against any kind of one-sidedness, because one-sidedness is one of the prevailing shortcomings of the popular management formulae [4]. It is difficult but at the same time indispensable to make correct management choice based on “weighing pros and cons”, though the managers are reluctant to “weigh pros and cons”. With regard to it Michael Porter writes: “I came to the conclusion that all the managers strive to welcome one or several of these amazing formulae as solutions to the problems, because these formulae promise that they will evade the need of making a difficult choice” [10].

Entrepreneurship culture does not represent a new “invention”. This is the teaching about the economics of classical German enterprises that contains the relevant “roots”. Nicklisch mentioned the importance of organizational values as the integration factor. “The integration idea, spirit leads to employee participation in the production process, what reduces negative outcomes brought explicitly and furthermore, forcefully by Taylorism [5].

Entrepreneurial culture is definitely the combination of goals and values which are acceptable for all the employees in ideal cases and gives origin to the sense of responsibility in them. It “makes” individuals to react almost similarly to identical incentives. At the same time the enterprise (organization) culture differs from other cultures in that it accentuates those aspects, which are specific and typical for the given group. Thus the entrepreneurial culture is the implicit mind of an enterprise (organization) stemming from the actions of its members and counteracts to it in the form of collective programming [2].

The analysis of compliance between the entrepreneurship strategy and entrepreneurship culture should be the reference point for any kind of internationalization in order to avoid shocks of cultural nature and the economic backwardness. Stabilization can be achieved only when the employee actions reflect the existing culture and the new contents of culture (targeted culture) is translated into the implicit consciousness of the personnel. The future leaders should learn how to manage different cultures.

Entrepreneurial culture represents its memory, which puts entrepreneurial experience into the surroundings of critical cases and manages the process of strategic goal formation and realization through it. Therefore entrepreneurship manages successfully, if its strategy and culture are coherent. However, frequently enterprises (organizations) show various forms of violation of both personal and team actions. They vary from insignificant deviations to deep pathologies and are reflected in organizational culture. Organizational culture pathology may be due personal as well as team non-observances [2].

From the entrepreneurship culture pathology standpoint especially dangerous is that neurosis tendencies spread not only throughout the top-down relationships, but similarly to individuals, the whole groups also can manifest regressed thinking and behavior.

If personal and team non-observances appear as the form of influence upon the culture, it will lead to global destruction of the system. Thus, individual and team non-observances lead to system pathology, which touches upon the whole personnel of an enterprise and is manifested in origination and operation of various pathological cultures. System destruction is followed by structure destruction [2]. This is the entrepreneurship culture pathology that complicates to achieve compliance between the entrepreneurship strategy and entrepreneurship culture.

Leading market agents, especially highly ranked large enterprises obviously tend to embed “rules of the game” in order to preserve their positions. Such an attitude leads to inflexibility, self-confidence and eventually ends up in the loss of the leading position. This phenomenon is called the “leader loss” syndrome. Unlike from large enterprises, successful small and medium sized firms rarely are the victims of this syndrome. The duration of their leadership in the market is a clear evidence of their great flexibility and carefulness and they never feel themselves confident in this role. The systematically renew and modify the regulations of their industries.

Thus, the intrinsic contradictions of entrepreneurship development and self-development strategies complicate the task of reaching compliance between the state economic policy and the company entrepreneurship policy: on the one hand, there is a contradiction between the social and the competitive order within economic order policy and on the other hand, the contradiction exists between entrepreneurship strategy and entrepreneurship culture within entrepreneurship policy.

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