

ENTREPRENEURIAL RATIONALITY FOR ENTERPRISE'S LONG-TERM SURVIVAL AND DEVELOPMENT

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Abstract

Enterprise is a part of social environment and enterprise ethics is changing from instrument for profit making into condition for it. Thus we have to divide the entrepreneurial rationality, which could become/remain unethical, in technical, economic, and social-economic (responsible) rationality. Hence it follows that enterprise's long-term survival depends on efficiency, effectiveness and ethical behaviour. These three partial rationalities are mutually interdependent and conditioned, but are frequently also opposing each other. This is why their adjustment is becoming a central point in developmental strategic decisions. Care for natural environment must be included.

Keywords: *enterprise policy, enterprise ethics, efficiency, effectiveness, social responsibility, nature*

PODJETNIŠKA RACIONALNOST ZA TRAJNOSTNI RAZVOJ PODJETJA

Povzetek

Podjetje je vpeto v družbeno okolje in etika podjetja prehaja iz instrumenta za ustvarjanje dobička v pogoj za to. Torej moramo razčleniti podjetniško racionalnost, ki bi lahko (p)ostala neetična, na tehnično, ekonomsko ter družbenoekonomsko (odgovorno) racionalnost. Iz tega izhaja, da lahko podjetje dolgoročno preživi le, če je učinkovito, usmerjeno v dobiček in če ravna etično. Te tri delne racionalnosti so soodvisne in se medsebojno pogojujejo, pogosto pa so tudi v nasprotju. Zato prihaja njihovo usklajevanje v središče podjetniških odločitev. Skrb za naravo se mora vključevati.

Ključne besede: *politika podjetja, etika podjetja, učinkovitost, uspešnost, družbena odgovornost, narava*

Introduction

The current problems of nature conservation crucially depend of perception of decisive persons what should be included in the considered cost, effort, benefit, time horizon, tackled circles of persons etc. If this perception is narrow-minded rather than requisitely holistic, one-sidedness of decisions results and failures of processes outcomes are hardly avoidable. Along this basic thought that reflects the background of the current crisis, it is worth thinking about the composition of the enterprise policy. The present research will show the importance of responsible enterprise policy in achieving such entrepreneurial rationality for (enterprise) long term survival, which includes care for nature and planet Earth as well. We will define (responsible) enterprise policy, and enterprise rationality as special guidance for its achievement: thoroughly investigate technical rationality (efficiency), economic rationality (effectiveness) and social-economic (responsible) rationality (ethics), as well as discuss their mutual interdependency and conditional interdependence, but frequently also contrariety. This is why the adjustment of all three partial rationalities is becoming a central point of entrepreneurial decisions. Care for natural must be taken into consideration as well.

The entrepreneurial rationality and the current global crisis

Measure of success is not the problem's size, which we have to face,
but the question whether it is the same problem that we already have had the last year.
John Foster Dulles

The financial, economic, and social crisis which emerged in 2008 in the most innovative countries of the world shows that the neo-liberal economy does not lead toward success, because the behaviour of its stakeholders is over-simplified, therefore one-sided and hence full of oversights leading to unpleasant surprises (see Mulej et al. 2009a). Economy creates only a part of preconditions for well-being and happiness of people. The innovation of planning and management criteria must therefore be oriented toward greater social responsibility and requisite

holism (Mulej et al. 2009b). A new benefit for the current and coming generations should be provided through innovations (see Mulej et al. 2009c). As more industries become global, strategic management is becoming an increasingly important way to keep track of international developments and positioning of the company for long-term competitive advantage (Wheelen, Hunger 2006, 6). Our economies need radical changes to get out of the current 2008-(value) crisis, also through the governance and management process innovation (Belak et al., 2010). The process must lead toward socially responsible enterprise (see Štrukelj, Mulej 2009), as well.

The differences in enterprises' policies result from differences in (stockholders') interests, values, cultures, ethics and norms. According to Belak (2002, 76) the enterprise policy defines basis, general, and long-term enterprise characteristics. It contains mission, purpose and basic goals of an enterprise with global determination of resources, processes and outcomes. Not only but also because of current 2008- crisis we believe that enterprise policy must be oriented towards enterprise's responsible behaviour. Responsible enterprise policy (see Bleicher 2004, also Belak 2002, 113; Belak 2003) is many-sided, objective-oriented into implementation of all stakeholders' interests, with high level of social responsibility consideration and with long-term developmental attitude, which requires entrepreneurial innovative search of new opportunities.

We consider the requirements of an enterprise policy fulfilled (see: Belak 2002, 132) when they are realised at the level of strategic management as well. Strategies and related structures are crucial instruments for business policy implementation. In this way the modes of enterprise policy realisation are determined. This is why the enterprise policy implementation is the central task of top management and that's why it directly belongs into the process of strategic and indirectly into the process of operational management.

In continuation of the paper technical rationality, economic rationality, and social-economic (responsible) rationality are examined.

Technical rationality

Pay attention to the out-of-pocket expenses.

Small hole can sink big ship!

In business there is nothing so small that we could leave it untouched.

Benjamin Franklin

Under technical rationality Thommen (1996, 796) understands the efficiency of business operation. Efficiency (Coulter 2005, 243) is the ability of the organization to minimize the use of resources in achieving organizational goals (thus to use its limited resources strategically, N. B. authors). It is important to create maximum output with minimum input of work and/or material. To be efficient means to do the things right (see Drucker 1967). Efficiency (Kajzer, Potočan 2004, 25) is thus enterprise's internal characteristic. From the systemic point of view we are dealing with conception of closed system – for system function (know how). This is why the efficiency in generally is estimated on the basis of the following criteria (ibid):

- Profit maximum as moral obligation (Osterloh, Thiemann, 1995, in ibid),
- Quantity of manufactured products and/or services,
- Exploitation of available resources,
- Decantation speed,
- Operation reliability,
- Productivity,
- Economic efficiency etc.

Typical for all of these and also other criteria (Kajzer, Potočan 2004, 25) is, that they are not oriented toward aims (know why) and goals (know what) of an enterprise. Those are deemed self-evident. All attention is oriented toward aspiration for criteria achievement, with minimum of input.

However, for enterprises' long term success it is not enough to be efficient only. If an enterprise must put (efficiently) produced goods into the warehouse because nobody wants to buy them, the enterprise will sooner or later sail into troubles (Thommen 1996, 796). For long-term survival and development economic rationality is of great importance; we discuss it in the next chapter.

Economic rationality

It is more important to do the right things than to do the things right.

Peter F. Drucker

It is important to produce only those goods (Thommen 1996, 796) that satisfy real consumer needs, that are able to be competitive, and which price cover costs and assures profit. This is why effectiveness of business operation, measured with profit as a goal of market economy, comes in foreground. Effectiveness (Coulter 2005, 243) is the organization's ability to complete or reach goals (in achieving high level of corporate performance, N. B. authors). To be effective means to do the right things (Drucker, 1967). Effectiveness (Kajzer, Potočan 2004, 25) is thus enterprise's external characteristics. We are dealing with conception of open system – for system behaviour in its environment (know what). With effectiveness we are generally estimating the consequences, caused by the system in his environment. Between typical criteria of effectiveness we are placing above all (ibid):

- Ethical behaviour and enterprise credibility (Thommen, 1991 in ibid),
- Quality of products and/or services,
- Delivery-time and service-time readiness,
- Relation to nature (ecological environment, N. B. Authors) and social environment,
- Humanization of work and relationships,
- Profitability and capacity to accumulate investment funds; etc.

By judging the effectiveness we put in foreground social purposes and goals derived from them. Their background is thus in life quality enlargement (Kajzer, Potočan 2004, 25). This is why we are researching social-economic (responsible) rationality in the next chapter.

Social-economic (responsible) rationality

In life you can not influence circumstances, but you can influence your attitude to them.
Zig Ziglar

Economic activity and profit achievement (Thommen 1996, 796) is not realised in an empty place. An enterprise is a part of comprehensive political, economic, social and cultural system. For long-term survival and development of an enterprise as a part of this complex system enterprise must be aware not only of its obligations towards co-workers and consumers, but also of its obligations towards society. Enterprise has to determine, what is the good moral of an enterprise, which is basis for good enterprise management and for appropriate behaviour of its workers. This is also the reason (ibid, 796-797) why some enterprises create their codes of ethical respectively behaviour, in which they define their moral principles. We believe that social responsibility of enterprises, other organizations, and countries, depends on humans and their ethics, which can be viewed as information – impact of influential persons over others and their internalization of received information about the “correct” ethics. We also believe that social-economic (responsible) rationality can be achieved through received information about the “correct” ethics and that social responsibility can be attained by planning of ethics only (about attainment of social responsibility by enterprise ethics planning see Belak et al. 2009).

Because enterprise's functioning concerns other organisations, people within these organizations and in its environment (see Thommen 1996, 787), every enterprise faces many ethical problems and dilemmas. This is why, as a consequence of differentiating observation, we can distinguish micro-level, mezzo-level and macro-level of enterprise ethical problems. At the micro-level (ibid) individual values and behaviour are in the centre. The aim of the research at this level is to examine the individual's behaviour within its specific life space in the circumstances that limit individual's behaviour within that life space. At the mezzo-level (ibid) we investigate the behaviour of organizations. An organization, like an enterprise, consists of individuals, who shape and directed it; but an enterprise as a whole is also economic unit and that's why we are talking about enterprise as an individual behaviour subject. As an outcome (ibid, 787-788), an enterprise is responsible for its behaviour and has to accept consequences of its functioning. Therefore an enterprise becomes not only legal, but also moral entity - it must accept also moral rights and obligations of its functioning. At the macro-level (ibid) we investigate general economic conditions. We want to know what kind of economic system is the most suitable or the best for certain enterprise's functioning. About social responsibility as a way of systemic behaviour and innovation leading out of the current socio-economic crisis read Mulej et al. (2009d).

Without legal framework that both favours and demands social responsibility and innovativeness beyond the limits of technical-technological innovations, total quality, and systemic thinking, enterprises are not willing to take into consideration the social-economic (responsible) rationality sufficiently: in the short term, arrangements of this kind mean more costs than profit. For suchlike changes only legal frame is neither enough. The great and excellent enterprises showed and proved that enterprises need innovations of their products, processes as well as social innovations within their governance and management, basic -realisation and information processes. Many

researches show (e.g., Kajzer, Potočan 2004, 25) that the most successful enterprises have radically innovated their management processes and style (Collins 2001; Collins, Porras 1994; Drucker 1985; Goerner 2004; Goerner et al. 2008; Gorenak, 2008; Gregory, Midgley 2003; Hrast et al., 2006; 2007 a; 2007 b; 2008; Kanter 1983.; Peters, Reimann 1988; Peters, Watermann 1982; Peters 1987 etc., in *ibid*; Štrukelj, Mulej 2008, N.B. authors); only then they could effectively and efficiently use the top-level informational technology (Zahn 1989; Zahn 1990, in *ibid*), and only then the care for natural environment could be taken into consideration.

Concluding remarks

We have to be prepared to give up what we are, in exchange for what we can become.
Charles Dubois

The partial rationalities (i.e., technical, economic, social-economic) discussed in the paper cannot be dealt with in isolation as they are interdependent. We may discuss the business effectiveness only from the viewpoint of customer-need satisfaction; but, the profit-oriented business must take into consideration social consequences. Contrary to this, the enterprise ethics is always related to people and their economic behaviour. Therefore it is understandable that all three rationalities are interdependent and mutually conditioned. When making business decisions all three partial rationalities should therefore be seen requisitely holistically and taken into consideration as such. Long-term enterprise survival and development namely depends on its efficiency, profit orientation, and ethical behaviour. If an enterprise achieves its long-term goals in such a manner and considers economic and ethical viewpoints, it will be credible, effective and efficient in the long term.

Enterprise rationality should be a special, requisitely holistic enterprise policy, because the enterprise's long-term survival depends on synergy of the efficient, effective and ethical behaviour. These three partial rationalities are mutually interdependent and conditioned, but are frequently also opposing each other. Thus, engagement with ethics must be a part of socially and else-how responsible enterprise policy, strategies and activities; the same is valid also for governmental organisations or non-governmental organizations, including social responsibility, supporting requisite holism of enterprise behaviour, innovation of habits/value/culture/ethics/norm, not only technology, and requisite holism of responsibility of owners (shareholders) and managers to all stakeholders, including co-workers and environment, and vice versa.

If the enterprise rationality and the individual humans' rationality are leaving the nature aside, because they forget that human are a part of nature and enterprise are a part of human tools for well-being, the nature tends to take its revenge. As a reaction, rather than as pro-action, the enterprise policy needs to be changed, actually to be innovated in order to provide more benefit. If the technical rationality and the short-term and narrow-minded economic rationality are the only ones to be considered, with no ethics of interdependence (rather than any kind of ethics, e.g. the feudalism's one), then the failure in economic action is hardly avoidable. And so is the revenge of nature against those who do not practice the requisite holism, including the synergy of the technological, economic, and ethical aspects of social responsibility.

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