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“Market Cultivation: Roles of Entrepreneurs.”

Abstract

There is not one model of the market economy /”golden standard”/. There are no universal or eternal models of the market economy or ways of its pursuit. There are several variable forms. Generally we can distinguish two historically variable mutations of these models: the Euro-Atlantic and the Asian model. This further supports the need to analyze the experience of Asian countries and to discard the dominance of a Eurocentric orientation. Departing from this assumption, analysts of Asian countries in the past few decades have rightly observed that there exist certain interrelations between the different cultural models and the processes of domestic market transformations. It is only a right combination of the two as well as observance of an appropriate time sequence that enable enterprise development in different countries in various cultural zones.

The different cultural models of market economy: the Euro-Atlantic and Asian one, stem from different value systems accepted by entrepreneurs. Each of these models is characterized by a different model of entrepreneurship and entrepreneur market behaviour. At this point, it is important to indicate differences in the following areas: 1/. Approach to the time factor; 2/. Approach to the uncertainty and risk factor in economic processes; 3/. Approach to the relation of imitation and innovation in economic processes. 4/. Conceptions of trust in business;

S.M.E. is a fundamental subject to face the new challenges of the future in global economy. The fourth industrial revolution is under way. The profound changes / proliferation / caused by the information revolution and the supporting information and communication technologies have acted as a catalyst for various types of new business, various types of entrepreneurs and profound reorganization of business activity rules.

I. Is there a “golden market standard”?

We should begin by saying that just as there is no one universal civilization model, so there is no one universal model of the market economy. There are several, historically variable forms of the market economy and the related ways of its pursuit. Generally, however, we can distinguish two historically variable mutations of these models: the

Euro-Atlantic and the Asian model (J. Kleer, Globalizacja w warunkach różnych cywilizacji [Globalization in the conditions of different civilizations], lecture, 20/10/2007, Warsaw School of Economics). They are complimented by various hybrid-forms (such as African or South-African capitalism). They clearly consist of both convergence and divergence processes. As of today, it is difficult to decide which of these processes will prevail, and when.

Therefore, the thesis proclaiming the 'end of history', publicized by F. Fukuyama (F. Fukuyama, The End of History, The National Interest, Summer 1989) does not hold true. The end of history is understood here as the triumph of the universal model of the market economy and the universal ways of its pursuit (the "golden market standard").

Clearly, the globalization phase plays a special role here. Today, any transformations in the world economy may not be comprehended without prior analysis of the current stage of globalization processes. However, it is not true that globalization processes lead to the inevitable universalization of the ways of pursuing the market economy in the world.

We should add here, quoting F. Capra, that: "Nowadays, whenever people engage in science, in its contemporary meaning, they do so in line with the European paradigm, regardless of whether they are located in Japan, China or Africa (...). European and American science has certain colonization tendencies. Today, the above refers mainly to American science, but this phenomenon is clearly rooted in the European tradition" / F. Capra, Należć do wszechświata, Kraków 2004, p. 64/.

This is related to the imitation and reproduction of activities carried out at some of the leading scientific and research facilities in the world. It is the kind of threat which, in practice, forces the concerned countries to the peripheries of the world economy. It may be avoided depending mainly on the country's ability to develop its own intellectual autonomy. Without it, the emerging markets quickly find themselves unable to repel foreign influences.

The fact that there is not one model of the market economy or one 'correct' way of its pursuit has been recently confirmed by the criticism surrounding the so-called Washington Consensus. It means that a model of the capitalist economy which is suitable here and then, may not be appropriate or desirable some time and some place else. There are no universal or eternal models of the market economy or ways of its pursuit.

Despite what it is claimed e.g. by neo-liberal advocates of free world trade in the economy, the opening up of the economy by a state – not immediate and full, but a gradual and controlled one – enables its advantageous incorporation into globalization processes. China and Kazakhstan have best proven that this strategy is successful. And they are not the only countries supporting this view. A similar successful development strategy has been implemented by the long-standing Prime Minister of Malaysia, M. Mahatir, and the Prime Minister of Singapore, Lee Kuan Yew, and before – by the government in Taiwan and South Korea; it is also being applied by Vietnam, Laos and Mongolia.

All these countries are searching for their own, unique transformation solutions, adjusted to their own specific circumstances. It is the fundamental assumption accompanying their enterprise development strategies and the favourable environment for market success of domestic entrepreneurs. This further supports the need to analyze the experience of Asian countries and to discard the dominance of a Eurocentric orientation.

The sources of these processes are difficult to evaluate without a sound knowledge of both the past and present situation in these countries. It requires us to assume a genetic approach in explaining the economic transformation processes. It is only the genetic method that allows us to underline the most important cultural, historical, religious, political and demographic conditions that have determined the transformation and globalization processes in this part of the world. In this context we should also ask about the role played by entrepreneurs, the major driving force of development.

The genetic method has the important advantage of enabling not only a search for the causes and the factors of changes in the past, but also facilitating predictions about the future trends related to these changes.

Departing from this assumption, analysts of Asian countries in the past few decades have rightly observed that there exist certain interrelations between the different cultural models and the processes of domestic market transformations. It is only a right combination of the two as well as observance of an appropriate time sequence that enable enterprise development in different countries in various cultural zones. As a result, the suggested solutions and ways of pursuing the market policy vary considerably. The sources of these differences should be ascribed to cultural differences and the resulting value systems accepted by entrepreneurs.

II. Different value systems of entrepreneurs and different market models

The different cultural models of market economy: the Euro-Atlantic and Asian one, stem from different value systems accepted by entrepreneurs. Each of these models is characterized by a different model of entrepreneurship and entrepreneur market behaviour. At this point, it is important to indicate differences in the following areas:

- 1/. Approach to the time factor;
- 2/. Approach to the uncertainty and risk factor in economic processes;
- 3/. Approach to the relation of imitation and innovation in economic processes.
- 4/. Conceptions of trust in business.

The four areas indicated above should be analyzed with regard to the key factors determining the economic success of the cultural model of Asian capitalism.

As human beings, we bear a genetically encoded time structure. Our life is restricted to certain time frameworks. Each action which is not performed immediately evokes the time factor from within our genetic time structure and introduces it into our perception.

From our point of view, time becomes an expectation of the future. It means that we must structure our needs and expectations in a certain way; project them, so that they may take the form of a path, which we then follow. Time is reduced here to going in some direction; otherwise it loses its significance. Asian cultures reveal much stronger relations between the past and the future. The time perspective of the conducted economic processes is not restricted as strongly as in Euro-Atlantic cultures. Other measures of time are applied, not necessarily linear.

On the other hand, if we act by referring to our experience, the time factor is also introduced. Experience may be accumulated in our memory, but may be codified as knowledge in many various ways, which we then tend to describe as “scientific”. Such knowledge is gathered and results from our past actions, without which it could not exist. This aspect plays a special role in the Asian model of entrepreneurship. This is connected with the important factor of different approaches to risk in the Euro-Atlantic and Asian models.

Uncertainty and risk are two inseparable sides of the same objective phenomenon, which is always related to the past. Without uncertainty there is no risk. The categories of risk and uncertainty only make sense in reference to the past. They concern not only the reduced predictability of the probability of certain phenomena and processes. Most importantly, they concern dilemmas and the available choices – of one or another decision path – and the possible consequences. They are inherently inscribed within the phenomenon described in economics as lost opportunity costs (alternative costs).

When we approach risk in economic processes from this perspective, we can put forward a thesis that risk should not only be considered as something negative, but also as something positive in economic processes. It is a response to various challenges created by present decisions which may have positive or negative effects in the future.

It became much more clear that the success of the Asian capitalism model has been determined mainly because the opportunities created by globalization processes have been taken in a skilful and consistent way and managed well on the macro- and microeconomic (enterprise) level.

Without risk, it would not be possible to shape and develop entrepreneurial behaviours, attitudes and organizations in the economy. As a result, also innovation processes would have to be blocked. Therefore, it should be stressed here that Euro-Atlantic societies are “risk societies” to a larger extent than Asian societies (U. Beck, Risk Society: Towards a New Modernity, London 1992).

And so we come to another essential issue related to management under uncertainty: the different perceptions of uncertainty and the resulting perceptions/identifications/types and levels of the related risk. This, in turn, determines the acceptable risk level by management or investment decisions as well as the relationship of risk and economic security, i.e. the ways of securing oneself against excessive risk. This also influences the relationships between imitation and innovation processes in business activities.

As can be concluded, the element of context and localization of the above relationships along the time axis are of crucial importance here. This also determines their perceptions and the possibilities of identifying their types, so that they may be successfully prevented.

The 21st century is certainly going to be an age of “turbo changes” which dramatically increase the scale of uncertainty. Scientists long ago gave up the idea prevailing in the times of P. Laplace, according to which it was enough to have a sufficient amount of data and enough time for their processing to be able to predict the future.

Without doubt, the volatility and uncertainty factors play a different role in contemporary economy than they did in the traditional industrial economy. Today, everything is subject

to continuous, rapid and radical changes, and less and less things are certain. This results in stress, not only in the lives of people, but also in the lives of economic organizations.

Nevertheless, in order to be able to adequately describe and understand this situation, which is new in qualitative terms, and, most importantly, to be able to adjust to it, references to the growing uncertainty in economic life are hardly enough. We are dealing here with something indeed new and far more complex, which may be described as a permanent crisis in the external and internal environment of contemporary business entities.

This is brought about by the changing characteristics of competition, which can be observed within a growing group of markets. Apart from the surge in the number of competing enterprises, the cycles of these changes have accelerated. This has led to further reduction of certainty and stability of the economic environment of enterprises. Today, both small and large enterprises are faced with a similar risk – the surprise factor, related to the very low predictability of changes (P. Drucker, *Managing for the Future. The 1990s and Beyond*, Penguin 1992; L. Thurow, *Creating Wealth, The New rules for individuals, companies and countries in a knowledge- based economy*, London 2000).

This is reflected in the decreasing life cycle of many products and services. This is the first symptom of the acceleration of changes. Therefore, the time factor referred to above and the related ability of enterprises to quickly adjust to changes in their environment are gaining on importance. This ability is becoming challenging, as the changes not only are less and less predictable, but also cover more and more of the various areas of a company's operations. Many enterprises are shifting from innovative to final segments, in a decreasingly predictable way.

The trust factor in business processes has a special role in these new, contemporary conditions of development of the world economy. Without it, participation in this process

is difficult or even impossible. One should be able not only to create the capital of trust, but also manage it skilfully. Management science has only recently begun to treat trust both as an important ethical and economic category.

The process of trust development is lengthy and tiresome. It is easily damaged. According to the Eastern tradition, mutual trust and reliability are created through long conversations which help us to get to know each other. Trust is built with the help of hierarchical systems. These value systems cover very clear relations between religion, culture and social life. These translate into the forms of economic activity. Confucianism plays a special role here, as it supports the development of team work abilities. Mutual trust is an essential element of team work. In the case of relations with Asian entrepreneurs, this may be a serious impediment, due to the largely hermeneutic nature of their markets. This requires not only that we comprehend the causes of this phenomenon. Also appropriate adjustment processes are necessary on the part of Western entrepreneurs. In each case, however, development of trust includes the reduction of uncertainty and risk, while calling for considerable commitment and responsibility of the partners.

In contrast, the Euro-Atlantic model is much more individualistic, which results in different social behaviours and business models. In extreme versions, this may lead to very dangerous and undesirable behaviours in the economy, such as the development of “black PR”.

III. Common trends in two market models

Beside the differences, there are naturally many similarities – with convergence and divergence processes interweaving. For example, what is strongly noticeable and common for both Euro-Atlantic and Asian models – is the acceptance of an opinion that the key to success for development of enterprise is the creation of stable macroeconomic conditions by the state. Because first and foremost it enables the entrepreneurs to increase

of market competitiveness. By no means, it would be sufficient to present only microeconomic approach and to rely only on the market mechanism, i.e. „the invisible hand” of the market.

This strategy requires coherent and consistently pursued development policy by the state. It is not then perceived only as the source of costs, but first and foremost, it is perceived as institution responsible for development and realization of current and future business of entrepreneurs.

It allows to avoid limitations regarding peculiar internal demand and use of wide access to external markets. It also favors the development of export expansion of national corporations on the large scale. It is a question of fundamental importance for the adequate understanding of significance of the most important conditioning for development of local enterprise.

It represents a pragmatic perceive of the state role as a creator and stimulator of market development in transformational processes, and not only as its regulator /G.W. Kolodko, *The World Economy and Great Post-Communist Change*, New York 2006/. It requires implementation results of legal regulations *ex ante*, and not *ex post* in order to analyze the undertaken economic decisions. Beside the differences, there are naturally many similarities. This strategy requires coherent and consistently pursued development policy by the state. It is not then perceived only as the source of costs, but predominantly it is perceived as institution responsible for development and realization of current and future business of entrepreneurs.

It allows to avoid limitations regarding peculiar internal demand and use of wide access to external markets. It also favors the development of export expansion of national corporations on the large scale.

It is a question of fundamental importance for the adequate understanding of significance of the most important conditioning for development of local enterprise.

Different type of similarities in manner of market processes realization by entrepreneurs in both cultural models has its source in the current phase of scientific - technical revolution. Generally speaking, it saves time and space. The development on a global scale of IT and communication technologies resulted, among others, in the appearance of virtual corporations on a large scale, which are not based on production

founded on economy of scale, but on a constant research of market opportunities. It corresponds to an increasing importance of factors in suspense and surprise on the larger number of markets in global economy. / J. A. Byrne, R. Brandt, O. Port, The virtual corporation,” Business Week”, 8.02.1993, Poland / .

In the first place, virtual corporations are the result of explosion in development of worldwide communication and transport systems. These corporations are in the large scale organizations of the 21st century. These are new forms of network cooperation manner. It is an answer to new requirements of global competitiveness. However, at the same time, it is a result of development of global computer networks and similar communication techniques for market participants. Their general skill is the capacity to identify the best contracts on the market opportunities, as well as the capacity to gain and integrate the best resources, in order to realize these contracts. From the point of view of the entrepreneurs, it is a chance for a fast development in the international and global scale. At the same time, it is also encumbered by an important danger. There is a risk of unexpected termination of cooperation connected with it, and failure in conducting a business.

A good example of the web corporation may be a corporation of translators of different world languages. The location does not matter in this case. The important matter which decides of their competitiveness on this market is to know it very well and at the same time the capacity to build an international network of the best translators, who – with the use of internet technology – are able at the highest quality level, with competitive prices and relatively fast, to translate a given text into any needed language.

The essence of virtual corporations is the capacity to obtain key competences, by such business processes planning, that creates a new, and important added “high values”. Many models for gain of key competences by the entrepreneurs may be used in this case – for example outsourcing, web, cooperation agreements or franchising. A great and currently underestimated factor for development of this form of corporations is the acceptance that their competitiveness may be relatively increased by cooperation. It has become an important motive for development of virtual corporations.

The network understood in such manner is a collection of open-ended corporations – for example organization with a large number of suppliers, who create a constantly increasing collection of resources, in order to satisfy the clients with the best level of service in different industries. At the same time, such network may directly compete with the largest enterprises of this sector. From the point of view of the client, these unique combinations of corporations, being virtual organizations, are created because the clients have the more differentiated requirements.

In these circumstances, there is one extremely important thing – a capacity to keep by the entrepreneurs their peculiar, rooted competences, as a singular participant of these organizations. At the same time, the virtual corporation network build in such way, may have a minimal infrastructure and be characterized by a changing leadership. The value of virtual corporation network is based on, among others, the capacity to build strategic alliance, in order to effectively compete for contracts, which would not be possible to obtain individually. It creates a special type of “spider web”, which may enter into many different economic sectors and share organizational culture.

In the corporations’ network understood in such manner, the client is an extension of their international resources. The network in turn contains those resources which aim in better satisfaction of client’s requirements. From his point of view, he receives, for example, an access to skills and experience of many suppliers, he has an opportunity to obtain a supple access to resources that he is interested in, what may be achieved with lower costs and higher quality at the same time.

Looking at the corporation from this perspective, the differentiation between the traditional productive corporation and contemporary service corporation is becoming more difficult. It is necessary for the large corporations to compete in such manner as the small companies do. The new possibilities for competition, difficult to imagine recently, create at present a global networks of IT – communication technologies. This all causes, that there is a need for a new regard on the future development of enterprise. This observation is common for small and large businesses.

The main motive power for global economy of service is currently the revolution in the domain of IT – communication and appearance of new, crucial technologies in the

area. However, it is necessary at this point to draw attention to its essence which is differentiated in quality from the former technological turn that took place during the historic development of humanity.

Today, we deal with new universal phenomenon, which becomes characteristic for many different branches of economic life. Its essence is the change in perceiving and methods of increase of volume, build constructions.

”From the constructive point of view, there are two ways to increase something. The first one is the increase of physical volume and people spent a lot of time to create larger things – by learning to supply more energy for specific arrangements, build bigger houses, expand own territories at the cost of someone else... but there is another method – it is possible to enlarge something by reducing it! The size of any system does not depend of its physical volume, size is in reality a relation between the larger and the smaller element of the construction – it is a question of what smallest element can we use. /.../ That what the Moor’s Principle is about and this is a historical reality of our technology. / „New renaissance”, by J. Brockman, Warszawa 2005, p. 271 /.

The sources of difference of contemporary crucial technologies result from disclosure of the brand new regularity. First, from the Moor’s Principle mentioned above. The second – from the Metcalfe’s Principle. The Moor’s principle is today the basis for understanding of what is happening during the third global economic – social revolution. When Gordon Moore created it in 1965, no one had any idea of its importance. Today, it is a key to understand changes that take place in the area of new, crucial technologies.

In turn, Metcalfe’s Principle is nothing more than the observation which states that the value of network increases with the larger number of its participants. As a result of disclosure of activity of these two new regularities, an unusual improvement in the development of economy and informative society took place. At the same time, it turned out that the barrier here is not the limitation in progression and computable possibilities of computer hardware, but that the operational systems fall behind its development. That is why, in this area, it is worth to search for future sources of competitive advantage.

The best example here are the companies from ITC sector. The main motive power for global economy of service is currently the revolution in the domain of IT –

communication and appearance of new, crucial technologies in the area. In the domain, the barrier is not the limitation in progression and computable possibilities of computer hardware, but that the operational systems and suggested business solutions that the clients require, fall behind its development.

The focus of entrepreneurs' strategic attention is not on the products offered but in the service packs, change everything in their behavior. They need to become 'service corporations' from 'productive' ones. It leads to the necessity to concentrate the attention of corporation's managers – both in small and in large corporations – not on the offered products, but on the total problems solutions delivered to the clients, with which these clients have to deal with. This in turn requires the change of current business models applied by the corporation.

The abovementioned convergence of products and services is taking place. The specific binder in this process is knowledge. Knowledge changes the traditional definition of the product and technology seen so far, and is necessary for its creation. Currently in the management processes, knowledge becomes more important than information.

From the point of view of development models – the Euro-Atlantic and Asian model have the common manner to perceive the role of market and corporations – which is not only focusing on the quality of the state and the economic policy conducted by it. The same importance has the creation of efficient economic and economic like institutions /including corporate governance/, knowledge management and technological development.

The beginning of the 20th century is therefore characterized by radical transformation of many corporations acting so far traditionally on the global market /A. Herman, *Przedsiębiorstwo w kapitalizmie giełdowym /Companies in stock market capitalism/, „Kwartalnik Nauk o Przedsiębiorstwie”, Nr 2/3/, kwiecień-czerwiec 2007/. The essence of new forms and models of acting of contemporary corporation is the capacity to obtain key competences by such planning of business processes that creates new quality of added values. This phenomenon has been perfectly described by the above mentioned Reich, who describes it as evolution of corporation development: „from high volume to high value”.*

„In a corporation of high value, the profit is obtained not as a result of applying the productive scale, but by the constantly continued process of disclosure of new relations between solutions and needs. (R. B. Reich, The work of nations, New York 1992, s. 85.)

The essence of new forms and models of acting in the contemporary corporation is the capacity to obtain key competences by business processes planning, which creates new quality added values.

It is therefore possible for them to build a new type of competitive advantage. Its main source is not the possession of better physical assets, but the capacity to obtain access to it / when it is needed/ - with the relevant knowledge management / J. Riffkin, The Age of Access. The New Culture of Hypercapitalism. Where All of Life is a Paid- For Experience, Penguin 2000 /. There is no doubt that it becomes a key success factor on enterprise activities in the 21st century.

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