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## **THE ECONOMIC BEHAVIOR OF AN ENTREPRENEUR**

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## **ЭКОНОМИЧЕСКОЕ ПОВЕДЕНИЕ ПРЕДПРИНИМАТЕЛЯ**

The paper deals with economical, social and cultural context of business in present-day society. The economical aspect of business activity includes organizational and production innovations, as well as economical freedom. The personal aspect involves steady individual features which are manifested irrespective of specific production activities (intuition, aggressiveness, charisma). The paper examines the peculiarities of business functioning in Russia, identifies various pitfalls in the economical behavior typical for the national business culture and analyzes the key features of its entrepreneurship. Russian post-transformation economics fell into a trap of systemic crisis as previous institutes of social regulation had been destroyed. Cultural and moral values characterizing the former business relations lost their importance. Meanwhile the society spontaneously developed institutions that were using the interaction models previously regarded as unsuitable. Economic agents transformed into the business elite which has its own sources of power in present-day society, getting the opportunity to use some kind of independence within the political institutes nowadays. However, the methods it uses to support its social status reflect the systemic crisis that has struck the entire society and, in particular, its economic behavior. New economic agents have been able to succeed in an uncertain and aggressive business environment. Their achievements have nothing to do with professional competitiveness, but rather with the effective adaptation to an unfavorable social and economic situation. They have not adapted to the current market, but begun to work closely with the situation using «the time of troubles» for getting non-competitive advantages: compensating the lack of special skills with the activities bringing quick returns, indifferent to norms of law and ethics. The paper defines conditions required for the transition to the civilized ways of business activities, the rationally motivated choice of ethical code of conduct and the establishment of social mechanisms to correct the influence of market subjects' subconscious motivation on the economical activity.

**BUSINESS SPIRIT; ORGANISATIONAL AND PRODUCTION INNOVATION; INTUITION STRATEGY; IMPLICIT KNOWLEDG; SOCIAL PSYCH-ANALYSIS; SPECIFICITY; PARTICULARISM; DIFFUSENESS.**

Статья анализирует социально-экономическое поведение предпринимателя в современном хозяйственном контексте. Экономический аспект его деятельности включает в себя организационно-хозяйственное новаторство и экономическую свободу. Личностный аспект предполагает устойчивые индивидуальные характеристики, которые проявляются независимо от конкретных хозяйственных ситуаций (интуитивность, агрессивность, харизматичность). В статье выявлено проблемное поле экономического поведения в национальной бизнес-модели; в концептуальном плане исследована специфика российской предпринимательской деятельности. В постсоветской России разрушились сформированные ранее механизмы регуляции экономического поведения. Прежняя система ценностей утратила свое значение. Одновременно возникли институты, поощрявшие хозяйственную активность, которая ранее считалась неприемлемой. На волне общественных изменений появился хозяйствующий субъект, организовавшийся в бизнес-элиу, который получил относительную независимость в новой системе распределения властных полномочий. Однако его методы закрепления собственного статуса отразили системный кризис, поразивший общество в целом и экономические отношения в частности. Социальная аномия предоставила больше шансов на выживание тем, кто мало чувствителен к неблагоприятным условиям внешней среды. Они не только адаптировались к рынку, такому как есть, но и сумели использовать «смутное время» для получения «внерыночных» преимуществ: компенсировать дефицит профессиональных умений деятельностью, обеспечивающей быстрый доход; сочетать высокие амбиции с релятивизмом или безразличием к правовым или моральным нормам. В статье определены необходимые условия перехода к цивилизованным стандартам ведения бизнеса – рационально обоснованный выбор предпринимателя в пользу этического поведения и создание социальных механизмов, корректирующих влияние подсознательной мотивации на хозяйственную деятельность рыночных субъектов.

**ДУХ ПРЕДПРИНИМАТЕЛЬСТВА; ОРГАНИЗАЦИОННО-ХОЗЯЙСТВЕННОЕ НОВАТОРСТВО; ИНТУИТИВНАЯ СТРАТЕГИЯ; НЕЯВНОЕ ЗНАНИЕ; СОЦИАЛЬНЫЙ ПСИХОАНАЛИЗ; СПЕЦИФИЧНОСТЬ; ПАРТИКУЛЯРИЗМ; ДИФФУЗНОСТЬ.**

Entrepreneurship is as old as the economic system itself. There was no such word in the books of ancient scientists. Thus business activity was not discussed in the preindustrial period. First scientific business theories formulated only in the 18th century (A. Turgot, A. Smith, D. Say) were rather primitive. The modern attitude to the problem is polysemous, as it combines multiple ideas, some of which are mutually contradicting. The meaning of «entrepreneurship» ranges from «an idle class» (T. Veblen) [1] to «the basic phenomenon of economic development» (Shumpeter) [2]. The theoretical paradigm suggested by Shumpeter and Hayek is based on the interdisciplinary approach [3]. It considers business activity as a functional, economical, social and cultural phenomenon.

The economic aspect of business includes two interrelated elements: organizational and managerial innovations and economic freedom. The long list of other elements (risk-taking, decision making, resource ownership, leadership, profitmaking, interaction with the authorities and suppliers, clients, etc.) is either optional or complementary. The unpredictable development of a new business and the responsibility imposed by economic freedom can ensure new risks. Decision making is an integral characteristic of business and management. Investment freedom, as well as the right to capitalize income, springs from economic freedom. The motivation to make profit has its roots in the very nature of economic activity, it also represents the goal of organizational innovation.

Business reveals itself through different forms, such as the establishment of a new enterprise or reorganization of an old one, maintaining the new modification of old connection, but it is always linked with a combination of productive factors. Shumpeter defined its function as the creation of possibilities for the output of new goods, discovery of raw materials, sale markets, restructure of production. This activity implies «making new combinations of productive factors» or various innovations [4]. Business is connected with other types of entrepreneurship, such as management, scientific research, marketing, each of them being capable to change previous production combinations. The business function has been performed by experts during the evolution of economic relations.

The state of social and economic environment is very important. It predetermines

not only the ways of «new combinations», but also the motivation of business activity. Businesspersons as economic players hold social positions according to their class interest and form the living standards and a system of moral and aesthetic values.

Hayek's concept is based on personal freedom as one of the greatest values, limited by the laws of the civil society. Individual independence enables to use economic potential in a productive way. Economic freedom gives an active agent a number of rights guaranteeing independent choice of type, form and sphere of economic behavior as well as the method for implementing and using its product and profit. Freedom is limited by a number of circumstances. But the autonomy of decision making seems to be the main condition of business, without which a new productive combination is impossible in terms of economics, organization and psychology. Productive forces in general are influenced by either freedom or its antipode, dictatorship. For example, economic freedom provides the implementation of scientific discoveries aimed at the manufacturing modernization. In case there is no such freedom, scientific achievements have to be introduced.

Personal freedom together with the influence of «the invisible market hand» [5] and competition provides the high intensity of search activities, effectiveness of resource distribution and realization of personal abilities. Despite the fact that business function is dispersed, a special class of people, «ready to try out new possibilities» [6], is distinguished among economic agents. Different countries have the same number of entrepreneurs. The lack of «business spirit» [7] is not linked to the human nature, but it is the result of limitations imposed by the existing customs and institutions.

Hayek's theory of «concealed knowledge» implies that an economic possesses a unique knowledge which helps to make independent decisions. The best possibilities for using informational advantages are created by the market. The pricing mechanism informs everybody of demand and supply. The sector of maximum market uncertainty prepares a «breakthrough into the future». It is boosted by competition and determines the search for changes in customer preferences and the methods of satisfying them. Such a context gives businesspersons the chance to effectively combine their unique knowledge and the market



situation. This combination strengthens their competitiveness and provides the highest possible income.

The development of the institutes does not always highlight its social and economic nature. Functions and features are mixed in more primitive institutional forms, which make them harder to discern. For example, it is hard to distinguish one element of business activity from another in a feudal's actions. The modern businessperson is not only a capitalist-owner, but also a manager, an engineer and a technical instructor. Even now he or she acts as a purchasing and sales agent, personnel manager, etc. The new combinations of activities are predetermined by the personality of a businessperson, rather than by his or her occupation. Every economic agent whose behavior differs by its search style is a potential entrepreneur. This behavior implies certain underlying personality traits. It is intuitive thinking related to the will and ability to focus on essential things in the situation, rather than directly to intelligence. Professional skills, broad-mindedness and analytical abilities are not a guarantee of business success. The great importance of instinct and intuition are decreased by keen understanding and complicated rationalization. Secondly, an entrepreneur has the ability to obtain the determined goal despite uncertainty and environmental resistance. The third quality is the authority based on charisma, which facilitates target searching for likeminded people.

Personologists partly agree with sociologists, though their conclusions are more radical. According to psychoanalysis, a businessperson is a deviant psychological type with success-oriented behavior. He or she has low tolerance to psychological strain and frustration, limited scope of attention, which induces the tendency to make a decision according to the first impression and intuition. Investigation and analytical research of problems are limited due to the fact that cognitive process does not fulfill the integration function. Such a mentality lacks logic concentration, self-critical reflection and active research processes.

Impulsive behavior is typical for a business actor. Short-term operative planning focused on satisfaction of immediate profit, rapidity of psychic reactions, immediateness of emotional

expression are their distinctive features. In this respect, financial well-being can be considered an indicator of prestigious social status. Such a person lacks bright individuality, he or she rarely has brilliant intellect and talents in other activities, rather than business. From the social point of view, it is a typical upstart, who has poorly resolved motivation concerning traditional culture values. Their behavior repertoire is notably short of something we call the «relationship culture». Bad manners and lack of «respectability» especially irritate those who «do not have to earn their place in the sun» through their efforts.

Unconscious obstacles of the entrepreneurial mental type can be overcome with the help of psychological defense mechanisms formed in the childhood. According to this model, the father is considered to be a very strict person which for a child is synonymous to being rejected, while the mother is usually strict too, but is the one who approves. The parents' images are gradually integrated. The perception of control and rejection becomes a dominating pattern of behavior. This situation has caused aggressive reactions and psychological tension, which are transferred to business actors themselves or to others. Personal traits are linked with a compensatory reactions, which results in basic feelings of imperfection and develop into self-independence, absolute control and domination in any activities. The individual works out the opposite type of reaction: hyper-activity and impulsiveness are opposed to difference and submission; non-conformist resistance is opposed to fear of authorities; ambition is opposed to the sense of inferiority and helplessness; optimism and recoverability are opposed to depression and anxiety. In these activities a business person tries to shape the organization where they could have the leading position. The firm is considered to be the symbol of their success and it is much more important than the method of money-making. It is the realization of his ability to create a new reality.

The situation of social crisis has given an impulse to develop a business class from the people who were called «negative passionaries» [8] by L.N. Gumilev. The market reforms have brought about economic agents who have been able to succeed in an uncertain and aggressive business environment. Their achievements have

nothing to do with professional competitiveness, but effective adaptation to unfavorable social and economic situation. They not only accept the conditions, but interact with the situation using «the times of troubles» for getting non-competitive advantages [9].

Russian business activity differs in the variety of internal organization, which explains contradictory personal features of its agents [10]. On the one hand, cognitive mechanisms of general estimation are heavily involved. On the other hand, there is a striking working efficiency, linked with simultaneous inclusion into the working process of several psychical structures. Such psychological adaptation provides a high level of motivation into the working activity despite the conditions of strong uncertainty. A businessperson's self-esteem does not depend on social approval or disapproval because of their internal energy. Finally, goal-setting is characterized by proceduralism, maximization and paradoxicality of behavioral choice. The competitive environment maintains the businessperson's unconscious desire to avoiding stereotypes, rivalry amplifies their abilities to think outside the box in any problematic situation. Domination of intuitive mental strategies shapes creative patterns of business behavior with various unknown outcomes. Dominance of the intuitive way of thinking over the rational one results in psychological exhaustion. If an individual has a relatively high positive self-esteem, it would be possible to adequately assess the failures, not to use violence for correcting them, not to compete against rivals in an unethical manner. However, a high positive self-esteem is quite a random occurrence. For this reason, a mature market has worked out a variety of means (cultural, law, power) for setting a limit to (restraining, restricting) deviant business behavior.

Russian post-transformation economics has fallen into a trap of the system crisis when previous institutes of social regulation have been destroyed but new ones have not been built yet. Cultural and moral values which characterized the former business relations have lost importance. Meanwhile, the society has spontaneously developed institutions which use interaction models that have been considered unsuitable just a while ago [11]. Economic agents, having come into focus of weakly regulated business processes, transformed into

the business elite, which has its own sources of power in the modern society, getting the opportunity to use some kind of independence within the political institutes nowadays [12]. However, the methods it uses to strengthen its social status and prestige reflect the systemic crisis that has stricken both the entire society and bodies of government, in particular.

Investigation results of the Russian Independent Institute of Social and National Problems have confirmed that influence of macro-environmental factors (government economic policy, legal coverage of business activity, actions of regional and local government institutes) on the business stability is much lower compared to microeconomic and personal indices [13]. The decline in the subjective significance of macro-conditions is connected with the peculiar adaptation of a Russian business agent.

The anomy of the Russian society resulted in the loss of cultural values, which entailed the emergence of low-level models of economic behavior. The fledgling market awoke primitive instincts of egoistic, acquisitive and ethnocentric behavior hidden in the «collective unconscious». Getting away from the conventional social control they provoked a higher crime rate in the country.

The behavioral pattern of the entrepreneur can be defined using Parsons' incentive-cultural dilemmas («affectivity – diffuseness – particularism – quality – performance – self-orientation» [14]). They reflect the rational content of business behavior in society [15]. Though T. Parsons did not make ethical judgment using his dilemmas, they reveal an explicit biased nature of the Russian entrepreneur [16]. In particular, they are characterized by self-centered orientation, pursuing their own interest.

There are basic qualitative characteristics of business people providing their adaptation to social conditions: moral, law and occupation (all of them are the indicators of civilized market relations). Consequently, classification of business types is based on various variables: law abidance, competence, and moral and ethical aspects. According to such definitions, two ideal types can be distinguished:

- «cultural business person» – business activity demands professional education, law obedience, scrupulous ways of reaching the goal;
- «wild businessman» – just the opposite features; the behavior, is dominated by the unconscious



motivation under the influence of passionarity, attractiveness, ego-complexes, etc. [17].

The type is widely spread among the representatives of Russian business. They take on anything that did not require special knowledge and are oriented on obtaining fast income, ignoring laws or using culturally rejected means of goal achievement. According to the report of the Russian Union of Manufactures and Businesspeople Expert Institute, 40 % of businessmen have earlier been prosecuted, and every third of them has a connection with criminal world (for representatives of large businesses this figure is even higher) [18].

The antisocial character of Russian business is in strong opposition to everything which reduces income and support of any activity which increases it. The entrepreneur accepts success only on the basis of material wealth sacrificing other social connections and links for such sake. The entrepreneurs who have a chance to succeed are those who have no need to reinvent themselves, are not prone to reflection, and whose ambitions are combined with relativism or indifference to

laws and moral principles. The moral legitimacy of Russian business is doubtful, which makes its relationship with society very complicated. Weakness of the legal conscience, collapse of morality, and media advertising of individualism, quick success, richness and outsized consumption values facilitate the development of the deviant form of business activity. The social responsibility of business cannot be separated from the general level of public moral. It does not exist by itself, isolated from common cultural environment. If the ideas of duty and responsibility are devaluated and altruistic values are repudiated, the activity for the social welfare will not be considered as the respectable form of behavior [19].

Nowadays the main efforts of businesspeople are aimed at personal enrichment by any means. On the other hand, they are concerned about their business publicity through commercial media. Creating a social and cultural environment stimulating a businessperson to activities approved by the majority of the population becomes a very important task.

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