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Epistemic Considerations regarding Entrepreneurial Management

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Abstract: *The article presents a synthesis on the results of the research of the entrepreneurial management process exposed in a series of papers published in recent years. The opinions regarding the evaluation of the important factors of the entrepreneurial environment are highlighted and also the principles of designing and applying the strategies as first concerns for ensuring the efficiency and effectiveness of the business.*
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Introduction

Some management theorists have become "experts" in formulating new views on old topics because that is their goal - to find modern solutions to problems of the past. Sustainable ideas, however, are based on the firm foundation of a well-crafted theory and not on the empirical assessments of "occasional analysts" interested in provoking emotional states dictated by obscure interests.

In all areas of human activity there are theories that explain the phenomena, principles and laws that order the processes and cycles of evolution of the environment in which we live. Entrepreneurial management is based on this premise, a fact demonstrated by numerous scientific publications in all countries of the civilized world, which attests to the relevance of theoretical models developed by great academic figures in this field.

Modern managerial thinking began in 1954 with the work "*The Practice of Management"* written by Peter Drucker. The author stated that managers had come to form in the first half of the twentieth century a distinct professional group, very important for the future of business. After 66 years, Drucker's predictions came true - management is recognized as an applied art and science of our times, and thinkers in this field have become highly regarded and sought-after scientists. [1, 10]

Compared to most other disciplines in academia, management is a phenomenon characteristic of the modern era. It was not until the twentieth century that management matured, gaining respect and trust. Entrepreneurial schools like to give the impression that they have existed since ancient times and that they have a long experience. Their origin is relatively recent. In the United States, the University Of Chicago School Of Entrepreneurship was established in 1898. At Harvard, the first MBA program began in 1908. On the European continent, INSEAD in France offered the first MBA program only in 1959 and in the United Kingdom only in 1965 the first public entrepreneurship schools were opened in Manchester and London [1, 15]. In Romania, as we know, the first master's programs in entrepreneurship began in the 1990s at the Academy of Economic Studies in Bucharest.

Large corporations have their own universities where managers train. There are currently 1,200 specialized corporate universities worldwide. They cover virtually all areas of business. Motorola, for example, has developed an international MBA program and has calculated that every dollar invested in training generates 33, say Desderlove and Crainer, quoted by well-known Swedish thinkers Ridderstråle and Nordström. [2, 240 - 241]

Eight of the ten most severe economic cracks felt globally occurred in the first part of the twentieth century [3, 270]. This suggests that either business have developed more effective defence mechanisms, or governments have learned to better manage the economic situation. In both cases, it can be seen that the emergence and development of the theory of entrepreneurial management and business schools have proven their value and usefulness.

The obsession with money (plutomania), manifested by entrepreneurs, does not help real economic development. More than two trillion (two trillion) dollars are traded daily in foreign exchange markets. Less than 2% of this amount is related to the real economy, the rest are just ghost money, speculative. [3, 228]

The National Peace Institute in Stockholm claims that almost half of the world's scientists - about 500,000 people - work in the field of weapons research and production [4, 270]. On the other hand, the philosopher John Leslie notes in his studies, the dangerous scale of current technologies - nuclear, chemical, biotechnological, Nano technological, genetic and robotics - and estimates that the risk of extinction of the human species is at least 30%. This conclusion confirms the predictions of the nineteenth-century English novelist Thomas Love Peacock, quoted by Edworthy and Cramsie, who said: "I come to believe that the destiny of science is to exterminate the human species" [3, 228]. In this context, let us hope that past troubles have gained enough experience and that management theory and managers trained in all entrepreneurship colleges in the world will have the wisdom to manage the planet's resources with social responsibility and for the benefit of mankind.

Sustainable management ideas are based on the firm foundation of a well-crafted theory, not on the shifting sands of empirical management, says Don Sull of Harvard Business School quoted by Desderlove and Crainer. [1, 22]

The decisive aspect for the business world in the next decades will not be of an economic or technological nature but will be of a demographic nature. There will be no overpopulation of the planet, but an increasing subpopulation by declining birth rates and increasing life expectancy in developed countries, said Peter Drucker in the late 1990s. The implications that can be seen in these conditions can be the following: the retirement age will increase over 65 years; economic development will obviously be achieved only through the accentuated and continuous increase of labour productivity; the human society will be marked by profound mutations produced on the imminent background of unpredictable change of content and development of knowledge. [5, 7]

The open self-regenerating system of Patrimony - Organization - Management (POM) type, of any company, in which the products that are the object of business are made, must have its own theory. Business theory is just as important, for example, as accounting theory. It must be clear, concise and very influential. The theory explains both the success and failure of a business, said the well-known thinker Alvin Toffler in the early 1990s. [6, 30]

1. The Fundamental Components of Business Theory

The analyses carried out by numerous researchers on the evolution of various corporations in the world, in the second half of the twentieth century, highlighted common ideas, generally valid, for formulating a general model of substantiation of business theory. A representative example in this regard is provided by Peter Drucker, in the work "*On the profession of manager*" published in the Harvard Business Review Book, translated and edited by Meteor Press Bucharest, in 1998, and by Phil Rosenzweig, in the work "*The effect of halo and eight other economic illusions that mislead managers* “translated and edited by Publica Publishing House, Bucharest in 2010. The theoretical model that emanates from these works considers: the environment in which the business appears and develops; *the mission* assumed by the business founders and the basic competencies necessary to fulfil the business mission [5, 22-24], on the one hand, as well as the strategy and strategic management, on the other hand. [7, 223-240] A number of opinions have been issued on these components in recent years, which will be presented below.

Business environment, mission and skills

The *business environment* is represented by the society in which we live and its structure, by the representative institutions and the market. One of the most recent analyzes of the business environment is presented by Jonas, Ridderstråle and Kjiell Nordström, in the work *"Karaoke capitalism. Management for humanity* "translated at the Public Publishing House, Bucharest. The business environment, according to the mentioned authors, is metaphorically defined by associating the temple, the tower and the central square. The temple highlights the religious institutions, recognized and respected by the population for their involvement in the formation and observance of the faith in the divine power; the tower is the institution of state authorities, recognized for ensuring corporate governance, order, public safety and social peace, and the *central market* is considered a sorting mechanism between business efficiency and inefficiency, highlighting and encouraging elites.

The current reality, the authors mentioned above, suggest that the *temple* is marginalized and religious leaders understand the current needs of the people, but what they offer no longer touches any sensitive chord in most of the Western world. The *tower* is in about the same ungrateful position reflected by the low participation rate of the population in the voting of representatives in state institutions. Confidence in those who govern is declining and the political process no longer has an impact on the broad masses of people. Under these conditions only the market is the most important institution of our times. [8, 58]

Under these conditions, the business environment is dominated by five forces. Michael Porter, quoted by Desderlove and Crainer, points out that "in any field, whether domestic or international or producing goods or services, the rules of competition materialize in the form of five interactive forces." These forces are [1, 213]:

- new competitors - requires additional consumption of market resources with obvious consequences on rising prices;
- substitution products - viable alternatives to market products that lead to a decrease in demand for common products;
- the bargaining power of customers - protected by consumer protection legislation, erodes the profitability of the business by highlighting the lack of correlation between prices and quality of products offered and, therefore, can return the purchased goods;
- the bargaining power of suppliers - with effect on the increase of the prices of the business resources in the conditions of the appearance of some new competitors that offer more;
- rivalry between existing competitors - requires high costs of marketing, creation and innovation, with a direct effect on business profit.

The *mission* reveals the purpose of the business in the social - economic environment. To formulate the mission, the most complete answers to a series of questions are identified, as follows: what is the object of the business? to whom are the products or services made within the business addressed? how does the offer differ from the offer of the other competitors? In the broadest sense, the purpose of the business is to contribute to achieving and maintaining the balance between the *temple, tower* and *market* because only this balance ensures social peace and technical and economic progress for the general benefit of mankind. [8, 330]

In the long run, it is difficult to say what an unregulated knowledge society will be like without the support of strong and democratically elected groups. This should be the ultimate goal of business people. The American writer Robert Heilbroner, quoted by Ridderstråle and Nordström [8, 332], states that "if socialism failed, it was for political rather than economic reasons; capitalism will succeed only if it finds the political will and the means to gather economic forces."

In business, most of those involved play multiple roles - investors, specialists, managers or clients. Increasing individual responsibility does not remove from the mission of business firms the obligation to harmonize these roles. For employees and customers, the goals of a business are as important as the products or services marketed. Broad-minded companies will become increasingly socially responsible "not only because they are so different from the tower and the temple, but also because they realize that greater freedom implies more duties; otherwise, there is a serious chance that freedom will end, ”says Ridderstråle and Nordström. [8, 340]

The *basic competencies* in a business are highlighted in the specific operating processes of the company system, based on information, knowledge and computerized assistance of the managerial decision. In 1960 Herbert Simon proposed the model of the decision-making process in four stages - analysis, design, selection and implementation [9, 330]. Later Jay Golbraith designed the enterprise modelling methodology based on the processing mechanisms inside the company and in the 1990s, famous thinkers such as Hammer, Champy, Davidow, Malone, Davenport, grounded the theory of reforming the company's skills through redesign [9, 331]. Redesign eliminates traditional formal functional boundaries and uses knowledge resource networks capable of continually replacing the supply of products and services. In these conditions, specialists with high professional competence are sought and attracted, able to capitalize on previous experiences to promote innovative creations. "The power of the brain dominates in modern corporations, it is their very essence. We compete more and more on the basis of competence“ show Ridderstråle and Nordström. [2, 115]

The generator of high performance in business

Starting from the three elements analysed above (the environment in which the business appears and develops; the *mission* assumed by the business founders and the *basic skills* necessary to fulfil the business mission), the answer to the most important question about business can be sought - which is the *generator of high performance?*

In the last twenty years, numerous works have appeared, also published in Romania, where the success stories of large corporations from all over the world are presented. All these examples have been carefully researched, analytically and critically, by Phil Rosenzweig, of the International Institute for Management Development in Lausanne - Switzerland, in the work "*The halo effect and eight other illusions that mislead managers*", published at the Publica publishing house in Bucharest in 2010. The conclusion that the mentioned author submits to attention is also the answer to the question mentioned above, was stated by Michael Porter, from Harvard Business School, in 1996 the high performance generator is ensured of two things - strategy and strategy execution. [7, 225]

The *strategy,* differentiated from that of competitors, and the execution of strategic options - mobilizing human resources, efficient management of stocks and liquidity of working capital, efficient work, realization of high quality products, and providing customer support, are guarantees of success in any business anywhere in the world.

The fundamental strategic choices result from formulating the answers to three fundamental questions [7, 226-229]:

- *What products and markets do we compete with?*
- *What activities do we carry out and what activities do we transfer to our suppliers and partners?*
- *How do we position ourselves towards competitors - to bet on superior quality or to become known for low prices?*

Choosing the answers involves risks and uncertainties. In a given competitive environment, some options can be stupid, even suicidal at times. For example, if we opt for growth strategies, we will rarely prove that we had a wise choice. When we think we know what the public wants, we will actually know that when we look in the mirror we see unpredictable people! The market reaction is always shocking. Competitors are also a major source of risk. Anticipating the movements of rivals is not an exact science, although there is a vast literature that develops game theory. Technological changes in a wide range of industries have repeatedly removed many successful companies from the market. These companies have not failed because they have been mismanaged. The problem was much more insidious. Rather, the failure was due to continued policies of prioritizing customer requirements, investing in products with a high probability of success, and becoming vulnerable to new technologies. It is very difficult to anticipate which technologies have no future and can therefore be ignored, or which of them will revolutionize the industry and pose a fatal threat. [7, 226-229]

If we analyse together the three aspects mentioned above - the uncertainty of customer demand, the unpredictability of competition and new technologies, it becomes obvious why the strategic option is inherently risky. The risks are even greater as we approach the top industries. Stable industries, less susceptible to radical technological changes and changes in customer requirements, have better chances for substantial results, year after year, compared to turbulent industries in the fields of high technologies. [7, 230]

It's nice to think that any company can become great, but the only companies that were researched by Jim Collins in "Business Excellence" and stayed above the market average for 15 years proved to be in the field of current consumption products - food, cosmetics, pharmaceuticals, cigarettes, banking [10, 50].

What should managers do in the face of all risks and uncertainties? To adopt a diversified vision, analysing a wide range of information and changing projects accordingly? Is it better to adopt the simple specialization option, easy to explain to employees, investors and business partners? In a 2001 study by Chris Zook and Allen James in Harvard Business School Press, 1854 firms were analysed over ten years. That study shows that 78% of those businesses that focused on a single core business achieved high performance. Chris Zook and Allen James argued that firms do best when focusing on a relatively small number of products for a clear segment of consumers. When firms diversify production, the results are often not the best. [11, 74]

Strategic choices therefore always involve risks. Collecting adequate and truthful information, carefully evaluating it and choosing the controllable risk option, offers the greatest chance of business success in a competitive market.

Strategy execution or *strategic management*, as it is known in Romanian practice, is the second pillar of the generator of high performance in business. [7, 235-241] The socio-technical combination differs from one company to another. This difference means that in the same strategy, two competing companies have different results. Operational efficiency and effectiveness are shaped differently, based on a set of practices specific to each company. The difference is determined by the particularities of the human groups involved - competencies, abilities, beliefs, values, norms, basic concepts, etc. The execution of the strategy (strategic management), like the strategy, cannot be the object of 100% predictable *cause-effect* studies.

The key to success in implementing the strategy is the correct and complete answer to the questions [7, 235]:

- *Which of the multiple dimensions of strategic management are more important now in the market in which we entered?*
- *Which of the constituent elements of strategic management are vital for us in the future?*

The choice of answers is directly related to the culture of the corporation. Good intentions, related to the execution of the strategy, are often undermined by some fundamental errors. Execution remains inefficient and ineffective when the messages conveyed by managers, during the course of the strategy, are impersonal, unbelievable and ambiguous. In general, concrete and direct answers to the above questions are avoided, and issues are addressed in a general way and without sincere assessments. Wise managers know that business means looking for methods, procedures and means to increase the chances of success, without imagining that success is always certain. [7, 241]

If a company chooses subtle strategic options, optimal strategic management and has a bit of a chance, it could distance itself from competitors, at least for a good period of time. But success always attracts rivals, some of whom are willing to take risks greater than the benefits. All this explains why there is no one-size-fits-all formula as Tom Peters pointed out in 2001: “To be great, you have to be consistent.

When you are consistent, you are vulnerable to attacks. Yes, this is a paradox. Take care of him now! ” [7, 242].

The foundation of business theory involves, on the one hand, the permanent updating of information and knowledge on the environment, mission and skills needed in the industry, and on the other hand, the most appropriate choice of strategy and strategic execution to generate company performance.

2. Symptomatic Factors in Business

All the observations regarding the theoretical substantiation components, previously reported, were confirmed after years of sustained activity, experiments and thorough analyses for any type of business. Recognition of this way of validation can lead to the conception of a clear and influential theory regarding a concrete business. Only a successful theory can undoubtedly lead to the leap to excellence and sustainable development of any business, Jim Collins found in 2001, after a five-year period of research into the American business environment. [10, 29]

The way of thinking about a business reflects the tendency of the strategic management regarding the imagining of the development possibilities in the future. While some aspects of the future are very likely (our planet will rotate the same way in a century), there are few things that are known and inevitable in the future. Therefore, says Gary Hamel, the future is built and not predicted. [4, 181]

Validating the thinking model of a business involves simultaneously verifying and confirming in practice the following three axiomatic categories of factors, recommended by Peter Drucker [5, 23-25]:

- the assumptions regarding the environment, the mission and the competences on the basis of which the business is based must be compatible with each other and correspond to reality;
- knowledge, understanding and unitary application of the business thinking model by all persons involved - investors, managers, members of the organization (specialists in functional and operational production), suppliers and customers - ensures the guarantee of practical success of the applied theory;
- the verification and permanent updating of the content of the theoretical business model in accordance with the changes that take place in the external environment and inside the company minimizes the risks and maximizes the opportunities.

In the case of sustainable business, unaffected by discontinuous creative and innovative processes, a theoretical model can last a long time. But being an artificial creation of man, the theoretical model of any business does not last indefinitely. "In the new economy, there are no speed limits. Agility does everything. The need for renewal applies to everything in the organization, it concerns everyone, and it takes place everywhere and without stopping “says Ridderstråle and Nordström. [2, 43]

Early diagnosis of the degradation of the theoretical business model, practiced in a context, involves the identification of the following situations, suggested by Peter Drucker [5, 7-28]:

- A business theory ages when the initial goals have been achieved. Achieving goals cannot be a reason to celebrate but a reason to reflect to imagine a new beginning.
- The rapid development of a business is a sign of anticipation of the crisis. In this situation, all the presumptions regarding the environment, the mission and the competencies on the basis of which the business theory was based must be reviewed.
- The unexpected success or failure of the competitors' business or of their own business is a signal of the inconsistency of the initial hypotheses with the real evolutions of the environment and of the degradation of the business theory.

The confirmation of the symptoms proposed by Drucker was made, to a large extent, as Desderlove and Crainer observe in 2003, by Gary Hamel who made the following statement, with the value of a recommendation [1, 103] "a company gives up its present business when it shrinks faster than it improves its profits and when it does its future business when it improves its performance without differentiating itself from the competition”.

3. Management Rules and Principles

For the sake of theory, most managers usually formalize themselves by using procedures and work instructions, often out of date. Successful application of business theory is achieved when simple management rules and principles are adopted and applied consistently. These stem from the immediate answers to three daily questions that should be on the agenda of any manager. These questions were identified and posed by Peter Drucker in his well-known work "On the Profession of Manager" and have the following statements [5, 70-74]:

- *what must be done at any time?*
- *what is the main concern about what needs to be done?*
- *what are the principles according to which all activities should be guided?*

Next, a synthetic processing of the elements of rationality that must be taken into account when choosing the correct answers is presented. The opinions of the author of the questions are taken into account as well as other existing observations in the specialized literature.

What should be done at any time?

Typically, the answers to this question take into account the actual distribution of resources and actions to address emergencies within the company, ignoring external factors and not following the most appropriate ways in the decision-making process. Most of the time, two wrong choices are made regarding the daily allocation of resources. Here are these options:

- the classic problems inside the company are considered first, and the favourable opportunities in the market are lost, without even being noticed;
- areas are approached where even spectacular achievements have a minimal effect on business results.

Obviously, the correct answer, with immediate applicability, to the above question is: the company's resources and actions must be oriented at all times with priority to *favourable opportunities* that lead to *significant immediate results*, *from an economic and social point of view,* for all groups involved. the company's business. This response requires good information, knowledge and communication, in real time, between all existing departments in the company and with all interested groups outside it.

What is the main concern about what needs to be done?

The answers to this question show that, most of the time, a dilemma persists regarding two categories of objectives pursued in the managerial processes. These objectives take into account the effectiveness and efficiency of the processes. That is, *to choose between doing what is right* - in firm, immediate action and with spectacular results - and *doing everything right* - in formalized, bureaucratic actions with minimal resource consumption.

It should not be concluded that efficiency should be ignored. The efficiency is projected, obtained in calendar time, during the annual tactical cycles, and is appreciated by the strategic group of investors in the General Assembly, on the occasion of the approval of the Balance Sheet. Effectiveness outweighs efficiency, can better guide the business in real time and is appreciated by all groups interested in running it. It can be said that effectiveness guarantees efficiency. That is why the correct answer to this question concerns two aspects:

- *identification of areas of effectiveness*, in which *significant immediate results* can be obtained, with great impact on the market;
- *encouraging and stimulating strategic innovation* by investors within the company, at the level of functional, operational and management specialists.

The main concern in relation to what needs to be done at all times is to encourage careful market research to observe, faster than competitors, the trends along the way from suppliers to customers and to innovate the products offered so that there is an immediate favourable impact on the company's results.

Nowadays, information is disseminated internationally on an instant basis. Knowledge is the new battleground, both for countries and for corporations or companies and people. In such an environment we can no longer continue with our regular business. We need creative and innovative ideas, unpredictable and surprising. We are moving towards what is called *technological parity.* This means that there are very few offers that do not go all over the world and that the best of them, no matter where they come from, wins. The industrialized world no longer has a monopoly on knowledge because it circulates freely, everywhere, throughout the global market. [2, 43]

What are the principles that guide all activities?
To this question it is often considered erroneous that the enterprise is subject only to phenomena of a predominantly technical and economic nature and less to social phenomena. In this way the results should follow Gauss's law of normal distribution.

In reality, in the systemic structure of the company, at the strategic and tactical levels of management, where all medium and long term business is conceived and developed, social phenomena imposed by people corresponding to the interests of each group and to which the principle applies the rationality of Vilfredo Pareto[1] and the principle of emotionality of Stephen Covey[2]. At the operational level, where technical and economic processes predominate, the statistical principles, ordered by Gaussian distributions, are applicable. In these cases the technical principles of the six sigma method are applicable.

Vilfredo Pareto's principle 80/20
For a business manager Pareto's principle attests to the fact that every day *20% of the most important activities of the company produce 80% of the expected results* [12, accessed on 28th of August 2020]. In other words, one-fifth of the people we work with determine four-fifths of the goals we have to achieve in our day-to-day management processes, or that one in five people we work with solves four out of five problems in a day.

We do not have to interpret this report in absolute terms. Most of the achievements of a business are due to a small but very important part of the total factors involved in the company's processes. The rest cannot be cancelled because without them the whole could not exist. These factors must be identified and exploited as well as possible.

So, when we have to give up a certain action or a certain person one day, we have to make sure that it is not part of the 20% that matters [12, accessed on 28th of August 2020]. It is a rational attitude that helps us make the best operational decisions.

Stephen Covey's principle 90/10
Stephen Covey's 90/10 principle shows us that [13, accessed on the 15th.of September] "*we have no control over 10% of what happens to us in life and the 90% difference is determined by ourselves through the reactions we have to these events."* This means that a small share of the events that happen to us in life are not under our control, but the way we react to them greatly influences the efficiency of the decisions we make.

Accidental events must be approached calmly, wisely and carefully. Most of the time, the way we react in an unforeseen situation can make us lose a lot of collaborators, very large sums in business and even lose ourselves. This principle appeals to our emotional intelligence and helps us to break the deadlock calmly when everything seems lost.

The rules and principles of business management, described above, do not necessarily guarantee 100% success in business. It is good to believe that all this, applied consistently, with a lot of inspiration and a little luck, orients our work and increases our chances of success, which can always be considered a

[1] Wilfred Pareto, born on the 15th July 1948 in Paris and passed away on the 19th August 1923, in Geneva, was a famous economist and sociologist, well-known for his theory about mass of people and elites' interaction.
[2] Stephen Covey is a professor, organizational consultant and author of numerous published books in 38 languages in most world countries, witnessing a great recognition as a scientific authority in the field of leadership.

reasonable goal in business. Good managers have the ability to inspire and interest all those who are involved in a business. There will never be magic formulas that lead us, without errors, to high performance.

Conclusions

Market research institutions, business schools, and corporate universities had a decisive influence on the development of business theory in the second half of the twentieth century. The consolidation of thought models in business theory has led to a reduction in the effects of deep global economic crises over the last 60 years.

The premises from which most business theory thinkers start take into account the future demographic trends of economically developed countries. In the context of increasing life expectancy and reducing the birth rate, only creativity and innovation can increase labour productivity and the quality of life in social communities.

The foundation of a business theory considers three components: the environment, the mission and the competencies of the enterprise. Sustainable economic growth involves achieving a permanent balance between environmental factors (state, spiritual and market institutions), taking on the mission by empowering all those involved in adopting the healthy principles of social freedoms and promoting professional skills to ensure labour productivity and quality of life.

Starting from the three elements analysed (the environment in which the business appears and develops, the mission assumed by entrepreneurs and the basic competencies necessary to fulfil the business mission), the answer to the most important question about business can be offered - what is the generator of high performance? The solution for discovering high performance is provided by two things - strategic options and strategy execution.

The application and capitalization of a business theory involves the recognition and validation of all stakeholders (investors, organization, managers, partners - suppliers, customers, creditors), provided there is a permanent compatibility between assumptions about the environment, mission and competencies of the company, verification and constantly updating the content of that model, in accordance with the changes that take place in the external environment and inside the company, in order to minimize the dangers and maximize the opportunities.

The symptoms of the degradation of a business theory appear when the initial objectives have been achieved or when there are acute changes in the economic and social results of the company in question and of the competing companies.

Business management based on a theoretical model, validated by all stakeholders, requires knowledge and consistent application of simple rules confirmed by practice. The chances of achieving significant results, with a high and immediate impact on the market, by resorting to innovation through highly effective means, must be identified at all times.

Finally, business theory must be based on two fundamental principles - Vilfredo Pareto's principle of rational intelligence and Stephen Covey's principle of emotional intelligence.

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