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Тези доповідей

міжнародної науково-практичної конференції “Економічний розвиток і спадщина Семена Кузнеця”

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Матеріали Міжнародної науково-практичної конференції "Економічний розвиток і спадщина Семена Кузнеця ": тези доповідей, 31 травня – 1 червня 2018 р. – Х.: ХНЕУ імені Семена Кузнеця, 2018. – 360 с.
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У збірнику наведено матеріали Міжнародної науково-практичної конференції «Економічний розвиток і спадщина Семена Кузнеця». Представлено теоретичні та практичні результати наукових досліджень і розробок вчених щодо проблем економічного розвитку, циклічної динаміки соціально-економічних процесів, модернізації системи освіти, соціального розвитку суспільства, використання сучасних інформаційних технологій в управлінні системами, моделювання бізнес-процесів.

Матеріали публікуються в авторській редакції.

За достовірність викладених фактів, цитат та інших відомостей відповідальність несе автор.

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INNOVATION MANAGEMENT BASED ON JUDGMENTAL DECISION

Innovation management is a scientific topic that stretches back to the era of the French Physiocrats. Its meaning is the coordination of goals and resources efficiently based on planning, organizing, staffing, leading and controlling in the process of innovation. Actually, innovation management is also deeply involved in business philosophy and reflects the fundamental principles that underline formation and operation of an enterprise: the nature and purpose of the business and its role in society, influenced by philosophy, ethics and economic theory. The primary goal of any business is to make a profit, be it in monetary terms or otherwise. Products and services are the means that secure the creation of a profit as the primary goal and output based on the production function. In classical term, the production function is run by a set of input factors, land, labor and capital. The meaning of management, as a philosophy and a pragmatic tool is to secure the optimal use of time and resources and to gain market shares by successful competition, all conducted through and by the production function.

It is easily understood that the production function is run by tradition, the same operations repeatedly taking place over time. That is also the case with management. Management is closely linked to the production function, and has been taught at universities for a very long time, it has been delivered from fathers to sons in the family businesses, and through the tradition in companies, branches and economic sectors. Management is deeply rooted in the belief that “if we are clever enough, the consumers will buy our products and services”. Anyhow, that belief is wrong. There is no room for every competitor; the competition, will expel those businesses that cannot meet the challenges on the market. In other words, management by tradition does not have the capacity to meet the competition based on consumers’ desire.

Management comes probably from the Italian word maneggiare, which means to handle tools and especially to handle horses. The modern meaning of management is to handle others. That is what the manager is doing, leading the work force as part of the production function. There are three levels of management in the business sector. On the top level in any business of scale, we have the board of directors and the executive officer (CEO); they decide and communicate the strategy to the middle managers, and finally the team-leaders or supervisors who oversee the daily work of the worker. Alfred D. Chandler Jr. [1] concluded that structure could be defined as the design of an organization through which the enterprise is administered and that structure follows strategy.In those businesses who failed to succeed, according to Chandler Jr., the top managers were too involved in everyday activities, did not understand or appreciate the long-term goals of the company, their training and education failed, or they did not have the ability to handle the problems. Management is a profession like any other profession, and it is compensated by wages; managers are wage earners. Management as a profession offers the work force many options, not at least vanity. The higher ranking, the higher wage, the bigger office, the fancier job description and title, the more personal to manage the bigger the vanity is. Vanity is always the wrong focus for the laborer. In management, the focus should be on running the production function more efficiently.

The process of decision-making in business management is based on aggregating votes in those cases where more than one individual represents the ownership. Decision-making based on aggregating votes makes it very difficult, almost impossible to gain understanding and appreciation among the whole board of directors and even staff. Aggregating votes as means of decision taking reflects the relative power structure in the company but not necessarily the beneficial or appreciated solution. Majority is not always right, but it has the right to make decisions. In some cases the manager is also the partially owner. The manager might own shares, or other equity or debt capital investments in the company, and at the same time function as an employee, as decision maker. It is easy to understand that the double function might be problematic and give some ethical issues. If the solution based on majority is against the will and the benefits of the employee as an investor, it is almost impossible to accept and associate with the long-term goals in the role as manager. The solutions will be to sell out or quit. Anyhow, the business management is always an endogenous function as part of the production function. Managers form a specific cadre, either as wage earners or as capital owners, or both, depending on their role and connection to the company.

Three different roles that should be recognized, capital owner is who are responsible for the debt, the entrepreneur who makes the innovation, and the manager who is responsible for leading personnel. Mark Casson [2] defined the entrepreneur as someone who specializes in taking judgmental decisions, excluding the team, the committee and the organization. Casson accepts that everyone might be involved in taking judgmental decisions now and then, but that does not make them specialists in decision taking. The three different roles can be represented in the same person at the same time. When the entrepreneur is carrying out the new combinations of land and labor, the person is operating only in the role as entrepreneur, and he is not the capital owner or manager. If the entrepreneur has invested capital in the enterprise, the person represents the role of the capital owner, and might lose the capital and even be responsible for the debt. Finally, the entrepreneur can take the role as manager, and in this case, the economic benefit will be wage for the strenuousness.

Innovation is the carrying out of the new combinations, as put forward by Joseph A. Schumpeter [3]. Innovation, according to Schumpeter, implies that one is able to do something that previously could not be done, or at least not so efficiently or economically. Innovation is a spontaneous change in the production function, which leads to a technological shift in the whole economic system where the game of competition is forever changed. Companies who do not change to the new production function will be losers and eventually vanish from the market. Business management based on tradition is not sufficient to follow the change. Companies must adopt to the new production function and thereby compete with new sets of rules. Either the old products and services will be changed to the new ones or they will transform to a more efficient or economical optimal. As the production function for innovation is run with only two input factors, capital has resolved into land and labor. Thereby the entrepreneur, according to Schumpeter, is an economic agent in the social system. The entrepreneur is named the capital leader because the capital is represented in land and labor and the mission is to run the production function in such a way that entrepreneurial profit occurs. The entrepreneurial profit is not a motivating factor for the entrepreneur; it is only a proof that the idea was right.

The entrepreneurs are not motivated by any hedonistic desires or anything money can buy. Entrepreneurs are strong individuals and they operate individually, they do not form any cadre and they are exogenous relative to the production function. Entrepreneurs are never members of any team or management group, they operate based on their will and action. Furthermore, the entrepreneurial profit is the property of the entrepreneur, and there will never be any kind of sharing or dividend of the profit. The individual entrepreneur is one of one, never one of many in a group. Entrepreneurship is not a part of the sharing economy.

It is a common view among both scientists and practitioners that Schumpeter`s definition of the entrepreneur is the core approach to entrepreneurship as a scientific topic. Jan-Urban Sandal [4] defines social entrepreneurship as a special form of management whose purpose is to run a production function in such a way as to ensure increased value for all the participating parties in that function. The main objective for social entrepreneurship is to make the world a better place for everyone. To reach that goal is a very big task. Nevertheless, it is said to be the mission and the justification of the social entrepreneur. The social entrepreneur must secure an entrepreneurial profit based on a social innovation. Typically for social entrepreneurs is that they operate in the second and third sectors of the economy. Furthermore, the stakeholders, whoever they might be from case to case, should experience social and economic benefits. That is only possible if the social entrepreneur operates independently based on personal strength like the personal will and action. The social entrepreneur is never operating on behalf of anyone other than himself, the individual person who is defined as social entrepreneur. To manage oneself is exactly what the social entrepreneur, as the business entrepreneur is doing. The entrepreneurs are taking the decisions by themselves, based on a critical and judgmental process of making the right decisions. No one can interfere in that process of decision-making, because the entrepreneur is the owner and controls the innovative process. The entrepreneur is a specialist on taking decisions.

The opportunities of becoming an entrepreneur are open for everyone, especially when we talk about the western style democratic societies. Anyway, the talent that is needed to succeed as entrepreneur is scarce in the populations, but many have tried and many have failed.

Business management is about taking decisions in a business environment where almost all facts are known and with high degree of predictability and based on *aggregating* votes in those cases where more than one individual represents the ownership. Business management is to manage others.

Innovation management is about taking decisions in business environments where facts are unknown and without any predictability. Innovation management is to manage oneself. That is what the entrepreneurs are doing, managing themselves. There will never be any dispute in the decision-making process that we find in corporate management because only an individual is involved in making judgmental decisions. The prerequisite for reaching the high goals of the social entrepreneur, to make the world a better place for everyone, is the process of judgmental decisions. No team, board of directors, committees or governments or authorities can take that position. When others than the sole entrepreneur are taking the decisions, the production function is being used to preserve what already exists, in other words, produce more of what we already have too much of, and to prolong the existing society. That process leads the economy and the society nowhere and represents the opposite of innovation.

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