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DEVELOPMENT CHALLENGES OF CONTEMPORARY ENTERPRISES

| Abstract

- ▶ *Goal* – this article’s main goal is to showing that the truly important economic processes happen at the microeconomic level, they happen in enterprises. This is where the surplus value is produced. Producing this value is not easy, however, and is associated with a number of challenges.
- ▶ *Research methodology* – the author focuses on the descriptive method, which shows, on the one hand, the importance of activity at the microeconomic level, and on the other hand, indicating selected challenges faced by modern enterprises.
- ▶ *Score/results* – the article allowed to indicate the specificity of conditions in which modern enterprises operate. Large number of them are able to maintain their position in the industry for a very long time. It is able, but it is not so sure. In the conditions of global competition, nothing is certain in the long run, including the position of enterprises. They can work better or worse, they can be very small or larger, they can grow or curl, unfortunately they also fall.
- ▶ *Originality/value* – the article is a standard description of economic reality. It has no novelty or innovative aspects, it only organizes the described reality.

| **Key words:** enterprises, development challenges, business success, company’s goal, maximization of surplus.

1. Introduction

The common observer of socio-economic life deriving knowledge about the environment from the media may get the impression that everything that is

most important in the economy is happening at the macroeconomic level. Almost every news report shows politicians or commentators who, at a high level of generality, explain some new facts or assessments about the economy, be it budget or unemployment, interest rate, or some other economic category. This is usually accompanied by some superficial or less advanced reflection on the causes, factors or consequences. The truth is, however, that real processes happen at the microeconomic level.

This activity exactly there, at the microeconomic level, means the activity of enterprises is crucial from the point of view of development opportunities and implementation of all intentions and functions at the macroeconomic level. It is the entrepreneurship that materializes in well-functioning enterprises and contributes to the emergence of new technologies, products and services, which push their predecessors to the point of failure. This leads to the collapse on the one hand; and to the creation of entire industries on the other. In this way, entrepreneurship drives the development of civilization. And that's what we mean.

In this way, the high rank of enterprises signaled means that we are focused on success and want to do our best in what we do in enterprises and what results we achieve. It seems that, as a rule, we can formulate the thesis that enterprises are long-lasting organizations. For most economists, it is clear that a large number of companies are able to maintain their position in the industry for a very long time. In the conditions of global competition, nothing is certain in the long run, including the position of enterprises. They can work better or worse, they can be very small or large, they can grow or curl, unfortunately they also fall. The reasons for bankruptcy can be various.

For example, in the photography industry we have two flagship examples of bankruptcies, in both cases the culprit of their failure were digital technologies and the changes caused by these technologies. These were the cases of Polaroid and Kodak. Polaroid went bankrupt in 2001, Kodak a year later. The paradox was the fact that both companies noticed in advance impending changes and have made large investments in new technologies. Polaroid was a market leader in instant photography, which offered taking and developing a photo straight from the camera. Already in 1981, Polaroid noticed that digital technologies could pose a threat to them and began intensive research and development. Kodak was also able to predict market changes and invest significant sums in innovation. Well-known companies thought that they knew what the future would bring, and they did not save them from failure yet [Gans, 2018: 118–121].

The cited example concerns only one group of challenges that modern enterprises faced. The author of this article has no ambition to diagnose all categories of this type of challenges, and the task he sets for himself is to realize how demanding these challenges can be. Those just mentioned were caused by the development of technology and breakthrough innovations, there are others, e.g., regulatory changes, the economic situation, competition in the industry, the strength of suppliers and recipients, etc. The most important thing is that it does not end as in the case of Polaroid and Kodak, the point is to diagnose and meet these challenges. Therefore, the author formulates the main hypothesis as a statement that business success of a company is always the result of many factors, as ideas, a good economic situation, talent, the ability to anticipate by managers and their good choices which appear as reactions to specific development challenges.

2. Why are enterprises important?

As Edward Lipiński brilliantly noted – the enterprise is one of the most important civilization inventions and still constitutes the basis of the economy, allowing the creation of the wealth of nations and the participation of people in this creation. The phenomenon of successful or unsuccessful establishment of enterprises has been a passion for practitioners and theorists since its inception. Traditional questions: why enterprises arise at all, why these and not others, in these and not in other branches, why these and not others develop, why so many end their lives through bankruptcy, it seems that especially today requires a new answer [Noga, 2009: 18].

The main asset of the enterprise, and at the same time the mechanism of participation in the creation of nationwide prosperity by the enterprise is the fact of its participation in creating surplus value. The company is the “only device” that generates added value and in this sense is a tool for doing business. From an economic point of view, business is nothing else than carrying out assets from lower valued applications to higher valued applications. And here is the confrontation of what the company does with the market (through this valuation, and actually the acceptance of the valuation by buyers), the ultimate verifier of whether what we have done in the company will turn out to be business or not. The market is completely indifferent to how much costs have been put into producing the product or service. The buyer assesses the value of a given product

according to his subjective point of view and if the product is not useful to him, he will not accept its valuation, the company will not sell its products and the business will face a threat.

This understanding of business is in line with the classic version of the main function of the company's goal, which is the maximization of profit. It should be noted that one of the most heated disputes regarding the rationality of enterprises were and are discussions around the principle of profit maximization and a broader way of understanding the rationality of management in terms of economic theory in the context of the whole list of "new" goals of enterprises. It must be admitted that the principle of profit maximization has not been eliminated in any way from modern discussion about the company's goals. Progress in research on the contemporary goals of enterprises is not based on the necessity to search for theoretical new goals after negating the principle of profit maximization. It still maintains great cognitive significance as a general, even philosophical principle of entrepreneurial action. The essence of the model approach is a specific pattern that indicates the direction of proceeding, not the need to fully implement the pattern. This pattern is needed, if only to show how reality differs from it [Noga, 2009: 18].

3. The importance of the business environment

Already in the introduction we emphasized the fundamental role of entrepreneurship materializing in well-functioning enterprises. The consequence of this approach is the question about factors favoring or disturbing entrepreneurship, i.e. about a more or less favorable environment. It turns out that entrepreneurship is perceived differently in different economic doctrines. And so it is the force underlying Austrian economic theory. It is clearly absent in neoclassical economics. Entrepreneurship is a phenomenon characteristic of the real world, which is in a state of continuous unevenness in equilibrium models absorbing the attention of neoclassical authors. Moreover, they perceive entrepreneurship as a normal factor of production, which can be allocated depending on the expected costs and profits [Huerta de Soto, 2010: 14–15].

Returning to the Austrian school, it should be noted that from their point of view, the primary focus is not who exactly demonstrates entrepreneurship (although this is practically the most important issue), but that because of the lack of institutional or legal restrictions on free entrepreneurship, every person

has the freedom to practice it, as well as to create new information and to use the practical, exclusive knowledge that it has discovered in given circumstances [Huerta de Soto, 2010: 39–40].

If for any reason the field for entrepreneurship in a particular area of social life is limited or closed (by legal, institutional or tradition regulations, or by interventionist measures imposed by the state), people will not even consider the possibility of achieving goals in these prohibited areas, therefore, since the goal is not possible, it will not serve as a stimulus, and consequently the individual will not see or discover the practical knowledge needed to achieve it. What's even worse, in such conditions, even those directly affected will not be aware of the enormous value and number of goals that cannot be achieved due to institutional constraints [Huerta de Soto, 2010: 40]. That is why it is important that there are as few restrictions as possible and that is the task for the government.

Francis Fukuyama formulated a thesis (announcing that he does so without much risk), according to which twentieth-century policy was largely shaped by controversy over the proper size and strength of the state. During his visit to Poland at the end of May 2012, he said that the crisis had its roots in poorly designed institutions.

In turn, R. Borowiecki notes that in the conditions of globalization and the new economy, modern enterprises have been forced to constantly search for and create adaptation or anticipation projects for an increasingly turbulent and complex environment, as well as for such system reconstruction and changes in their structure that will allow them to acquire new features, procedures, and actions necessary for transformation and expansiveness [Borowiecki, 2010: 26]. This is undoubtedly true, but today's companies need, perhaps never before, favorable institutional and legal conditions for their functioning.

In countries where regulations on running a business are more friendly¹, economic activity encounters fewer obstacles, more new enterprises are created, those that operate in a more friendly environment achieve better results.

¹ Such a hypothesis can also be treated as the author's position in the discussion on the role of the state/government in the economy. The author is in favor of the "small government" in the traditional dimension measured by the size of the budget in GDP, especially when this budget is financed to a large extent by the deficit burdening future generations. However, he sees the role of the government in creating and improving institutions, especially those that support business, and here it is to be a "large government".

Of course, there is also less bankruptcy, and all this translates into economic development and national well-being.

4. Conclusion

What happens in enterprises is decisive for success or lack thereof in the process of economic development. On the one hand, their low competitiveness may threaten macroeconomic stabilization of the economy, on the other hand, the more effective the macroeconomic policy is, the greater the pressure on enterprises caused by the appreciation of the national currency and, in turn, the more likely the risk of disturbing economic growth. Enterprises also play a fundamental role in the stabilization of the economy, aimed at suppressing inflation and stabilizing prices. Their role cannot be overestimated.

All countries need effective recommendations for policies favoring the development of enterprises. It is the activity at the microeconomic level that creates national prosperity, so it must be created to create the most favorable operating conditions. So, if progress depends on entrepreneurial people who are able to put innovative ideas into practice, the question is what to do to make them more?

It should be noted that citizens in different countries assess their own economic activity in a different way as a way of earning money and these assessments change over time. According to research conducted by Amway Europe, the Entrepreneurship Center of the Ludwik Maksymilian University in Munich and the GfK Research Institute in 16 European countries, in Poland last year good opinions about entrepreneurship increased (by 5 percentage points), while in Europe on average fell by 3 percentage points to 69%².

² In Poland, three in four (73%) of respondents show a positive attitude towards entrepreneurship, 22% says negative about her and the remaining 5% no opinion. Entrepreneurship is rated better by us: Danes (85%), French (77%), English (75%) and Italians (74%). In Poland, doing business has more supporters among young people – up to 30 years – 84%, than older people – 69% (similarly in other countries). Barriers were also asked. These are: lack of start-up capital, fear of the general economic situation, fear of failure and administrative difficulties. The latter indicated 44% Poles asked and this is about 17 percentage points more than the European average (27%). See: *Entrepreneurship stewed by bureaucracy*, “Rzeczpospolita”, 13.11.2012. Since then, more than 6 years have passed and a lot has changed, which is systematically reflected in Poland’s listings in the World Bank Reports “Doing Business”, however, in the opinions

Good surroundings are not everything, in a sense of today's norms. The activities of modern companies, even those that are spectacularly successful, can be disrupted for some reason. As was the case with Polaroid and Kodak, where there were technological reasons, but they could also be changes in external regulations. It cannot be concluded on this basis that they were/are non-reflective and poorly managed enterprises, at least not all. In fact, they are following the path that has led them to success. And precisely because they do what belongs to them (until now it belonged), and they may experience disintegration. It happens that the nail in the coffin of established companies are the tendency to stick to the old and avoid what is new. As never before, every company must answer the question: how to survive in an environment where there is a threat that today, the day after tomorrow, or in a while, someone else will produce what we do, only better and cheaper.

However, we should not be too pessimistic, entrepreneurs are special heroes, most of them for many decades have responded and responded effectively to emerging challenges such as new technologies, innovations, and regulatory changes in their business environment. Not all such challenges need to result in bankruptcy.

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