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DISCLOSURE OF ENTREPRENEURSHIP IN THE CONTEXT OF ECONOMIC PSYCHOLOGY

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Idea of entrepreneurship was transformed throughout several centuries, and today it is widely accepted that this concept can be disclosed through the personality of entrepreneur who is a driving force of development of small enterprises as a whole.

Purpose: disclosure of psychological aspects of a person of entrepreneur as one of the main factors influencing the process of small enterprises development.

Results:

1. Primary importance of the personality of entrepreneur as the subject predetermining an orientation and intensity of small enterprises development is conceptualized.

2. Need of use of a subject and methods of psychology, economic psychology for an explanation of a phenomenon of small enterprises development is disclosed.

Practical implications: the research results can be used for improvement of the effectiveness of small enterprises activity.

Keywords: development, entrepreneur, subjective factor, economic behaviour, economic psychology.

РАСКРЫТИЕ ФЕНОМЕНА ПРЕДПРИНИМАТЕЛЬСТВА В КОНТЕКСТЕ ЭКОНОМИЧЕСКОЙ ПСИХОЛОГИИ

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Представление о предпринимательстве трансформировались на протяжении нескольких веков, и на сегодняшний день является общепризнанным, что это понятие может быть раскрыто через личность предпринимателя, который является движущей силой развития малых предприятий в целом.

Цель: раскрытие психологических аспектов личности предпринимателя, как одного из основных факторов, влияющих на процесс развития малых предприятий.

Результаты:

1. Концептуализировано первостепенное значение личности предпринимателя как субъекта, предопределяющего направленность и интенсивность развития малых предприятий.

2. Раскрыта необходимость использования предмета и методов психологии, экономической психологии в целях объяснения феномена развития малых предприятий.

Область применения результатов: результаты исследования могут быть использованы с целью повышения эффективности деятельности малых предприятий.

Ключевые слова: развитие, предприниматель, субъективный фактор, экономическое поведение, экономическая психология.

Majority of aspects of companies development are in the sphere of management problems, while management as an interdisciplinary field of knowledge, traditionally focused on efficient management of primarily large enterprises. But the

management of small and medium-sized enterprises was not sufficiently developed because evolution of the management thought of XX century was focused on achievement of the primary objective – improve the effectiveness and productivity of big industrial enterprises.

It should be noted that a number of researchers attribute the problems of small and medium-sized enterprises development to the external factors, first of all, to the disadvantages of state policy with respect to these economic entities. However, in our opinion, the effectiveness of small enterprises development is mostly associated not with external factors, but with internal factor – entrepreneur's personality, because he is a driving force of small enterprises development.

Variability of types of business activity depends on activity of economic entities. Therefore the most essential factor, which is decisive for potentiality of appearance of own business is a subjective factor¹ – entrepreneur's personality. Exactly in the process of vigorous activity an entrepreneur displays features of his personality – obsession with a business idea and ability to take risks. At that the degree of risk is not a subject to quantitative measurement, because it is a matter of implementation of risk behavior of an entrepreneur expressed in practical readiness to the loss of the current status in return of the theoretical possibility of a successful implementation of a business idea. It should be noted that features of an entrepreneur's personality are implemented gradually, in the course of time. Therefore the author adheres to the position of the developmental approach, which implies that the process of development of the organization goes through all the stages: from creation to various transformations (including liquidation). At that the stage of formation of an enterprise, which is full conditional on the entrepreneur's personality, is of crucial importance. The ways of companies' formation which do not involve the personal participation of a businessman in the process of establishment

¹ “Subjective factor – is a free, purposeful activity based on functioning of the consciousness and linking the theoretical and practical aspects of social development” [9, c.146].

and development of business, for example through investment of capital, don't correspond to the concept of evolutionary development and are not considered by the author.

Since the most important attribute of the scientific knowledge is its objective character, i.e. guarantee of the result of use of scientific theories regardless of a person using the knowledge, the presence of an individual factor – entrepreneur's personality, being of essential importance for the development of enterprises, doubts the reasonability and feasibility of defining objective laws. The observed natural and social phenomena are described on the basis of scientific knowledge synthesis. Based on these phenomena, cause-and-effect relations are formed, that in turn leads to the possibility to confirm scientific theories and forecast [11]. And only on condition of confirmation of scientific theories and hypotheses they may be formulated as laws of nature and society.

As of today the level of stored knowledge about economy (both about microeconomics and macroeconomics) does not allow make reliable forecasts not only in the long term but also in the short term. The world economic crisis is the best illustration of that.

It is recognized that the machinery of supply and demand theory is scientific. But the scientific achievements are so modest in this case, that it is possible to distinguish the common sense and scientific knowledge only by subjective criteria. But exactly the laws of supply and demand have formed the basis for the classical economic theory.

It is wrong to consider the problems facing the scientific community currently as an argument for uselessness of the ways searching.

K. Popper one of the greatest philosophers of science of the 20th century, described his position as follows: "I could be wrong, and you may be right; let's make an effort, and we may come closer to the truth" [4].

It should be noted that the guarantee of use of scientific theories means first of all obligatory compliance with the conditions specified in the theory. The specificity

of socio-economic knowledge consists in study of processes caused by unique features of the subjects of these processes. Exactly this special feature of the socio-humanistic knowledge has led to division of all the science disciplines into nomothetic and ideographic sciences in Neo-Kantian school in the second half of the 19th century. The nomographic disciplines include natural sciences, intended to discover the laws of the reality which is under investigation. The ideographic disciplines include social cognition, intended only to describe the processes under study, because the discovery of laws is impossible in this processes in view of their uniqueness. M. Weber, being influenced by neo-Kantians W. Windelband and H. Rickert, who have distinctly opposed natural science and social science as nomographic and ideographic sciences, discovers the unity and the common features of these areas of science.

The community consists in the necessity of existence of “clear notions” (i.e. categorical machinery) in any science, as well as compliance with laws and principles of thinking. At the same time Weber emphasizes the specific character of social studies, arising from its subject. According to Weber, it is “culturally important individual reality”. Taking into consideration that culture is ways of life activity of a social subject, the Weber’s category essentially means a subjective factor. Weber believes that in social sciences naturally repeatable casual relations are also revealed, but with an emphasis on an individual, singular, culturally important. Qualitative aspects predominate over quantitative aspects in these sciences. Therefore the statistic laws (i.e. the laws of probabilistic determination) are determined, on the basis of which individual events are explained.

Therefore Weber withdraws absolutization of the specified contraposition of two main branches of scientific knowledge: natural science and social science, showing their equal right to be scientific.

How important is the consideration of the possible inclusion of economic theory to scientific or pseudoscientific fields of knowledge for entrepreneurship?

It seems that there are objective reasons which allow to explain the contradictions that arise in the process of searching for generalizing economic laws of society functioning, both at micro and macro levels, between sustainable uniqueness of cause-and-effect relations in economic processes and uniqueness of each individual process due to the subjective factor.

The foundation of these contradictions was laid by the founders of economics: Adam Smith – the founder of the economic theory, Alfred Marshall – the author of the microeconomic theory and John Keynes – the author of macroeconomics. In the basis of the theories there was a keystone idea of a rational person, who is guided by reason in his economic activity. At the same time the defining feature of the “economic man” is economic egoism implying the desire of the subject of economy for maximization of its own profit. Such vision of the “economic man” prevailed in economics for a long time². I.e. the objective laws of economy were laid down on the basis of an individual personality of a man - an economic subject, who can't be formalized in view of its individuality, the behavior of which not always can be predicted.

Although I. Kant set the task to aspire to achievement of such kind of forecasting: “You can assume that if we were able to penetrate so deeply into the mindset of a man as it is shown through internal and external actions, that we would know every even the slightest motive to them, as well as all external reasons affecting it, the person's behavior would be predicted in future with the same accuracy as the lunar or solar eclipse” [3, p. 428], today we can state that the solution to this problem is impossible. Scientific methods used in economic theory, mainly the method of mathematical modeling intended for building of formalized models, which in simplified form describes certain economic phenomenon or processes, as well as the

² There is no doubt that the economic phenomena that could not be described by the laws (especially by the law of supply and demand, marginal utility, etc.), regarded as a kind of exception to the general regularities. For example, Veblen effect - a phenomenon that violates the law of supply and demand and states that, other things being equal, the higher the price of certain goods, the greater the demand for them. According to the concept of “conspicuous consumption”, representatives of the rich class buy many goods not because the goods meet their personal needs, but in order to “stand out” among others, showing himself as a the well-off people. Or another example, Giffen paradox - in conditions of economic crisis, at price rise of basic commodities of vital necessity demand not diminishes, but even increases.

method of scientific abstraction, which allows to exclude from consideration certain non-essential relationships between the subjects of the economy, appeared to be clearly insufficient to explain the difficult socioeconomic phenomena that form the subject of economics.

There are a lot of examples when one or another behavioral model was taken as a basis for formation of general economic laws. For example, the human tendency to increase their consumption together with growth of income, whereas consumption increases disproportionately to income, was called by J. M. Keynes fundamental psychological law, “in the existence of which we can be quite confident, not only from a priori considerations, based on our knowledge of human nature, but also thorough examination of the past experience” [5, p. 95].

When certain models of human behavior have been taken as an axiom, on the basis of which generalizing regularities were formulated, often they can't be correct because these models are developed on the basis of such a simplified understanding of human behavior. An example of such assumptions may be the idea of rationality of an individual while the rational behavior of economic subjects can be considered as only one of the possible types of behavior.

People often rely on heuristic conclusions³, which may coincide with formal logical but in some circumstances lead to misjudgements. In the article “Judgment under uncertainty: Heuristics and biases” 1974 the author showed that when people face uncertainty, they use several heuristic principles that simplify the evaluation of an event probability. Although these principles are generally valid, in some cases they lead to serious systematic errors [7, c. 93].

Since the psychological variables appear responsible for irrational component of behavior of an individual in economic sphere, the analysis of subjective factor is required to explain the deviation of economic behavior from that predicted by economic models.

³ Heuristic conclusion is a conclusion as a result of which the probable knowledge of the features of one object on the basis of knowledge about the similarity of this object with another one is achieved [6, c. 36].

The necessity to consider psychological factors of economic agents has led to the fact that in 20th century an independent branch of psychological knowledge starts to form - economic psychology. The objects of study of economic psychology are psychological patterns of economic behavior and interaction between people, as subjects of economic relations. Economic psychology aims to use of the psychological approach to the assessment of the economic reality and development of relevant theories and practice of impact on the economic world [10].

Development of the industrial branch of economic psychology is associated with the name of H. Münsterberg and the marketing branch which received preferential development in western psychology was founded by G. Tarde. It covers the psychological problems of exchange, distribution and consumption. One of the prominent representatives of the marketing branch of economic psychology was American psychologist G. Katona.

Economic psychology studies the aspects of the decision-making that reveal the regularities economic behavior. A great contribution to the development of this branch of knowledge was made by D. Kahneman and A. Tversky⁴. The theory developed by them disproves the previously existing concept of decision-making based on the theory of probability and rationality of persons making decisions. The results obtained by them showed that human behavior in conditions of uncertainty is significantly different from the model of homo economics adopted in economics.

Elegant economic models cannot explain from the point of view of social psychology why people gamble, live on credit or save, first of all because economic actions of individuals are in many respects conditioned by sociocultural characteristics of the environment in which they are performed, people's perception

⁴ Daniel Kahneman — is an Israeli-American psychologist, one of the founders of the economic theory of psychological and behavioral economics, which combine economics and cognitive science to explain the irrationality of man's attitude to the risk in decision making and management of his behavior. He is famous for his work, carried out jointly with Amos Tversky and other authors, in particular, he established the cognitive basis for common human errors which arise from heuristics, as well as for the development of prospect theory; winner of the Nobel Prize in Economics in 2002 “for use of psychological techniques in economic science, especially through studies of the formation of judgment and decision-making under uncertainty” (jointly with B. Smith), despite the fact that he conducted the study as a psychologist, not an economist [1].

of the economic and social reality that surrounds them. “Therefore economic, demographic, social and personal characteristics of individuals are equal ranking and the study of financial behavior of individuals requires an integrated approach” [8, с. 100].

Therefore, if statistical psychological laws are the basis of economic models then the general meaning of economic hypotheses and their applicability in any socio-economic conditions is found quite difficult.

Due to the foregoing, those difficulties which arise in the study of such complex phenomenon as the entrepreneurship including background for appearance of subjects of entrepreneurial activity, as well as the factors influencing its development are represented logically reasonable. Since the basis of entrepreneurship is a psychology of economic entity, it inevitably leads to the above issues.

The observation results show that there are certain socio-psychological aspects peculiar to the personality of entrepreneur, the presence of which determines the potential for the development of small enterprises. As the development of business entities is defined by communicative and cognitive aspects of the entrepreneur’s personality, we deal with the need for use of subject and method of research that are outside the framework of the economic theory.

Now therefore, consideration of the cognitive components and factors of economic behavior⁵ (perception and idea of the economic parameters, the irrational and the rational in economic thinking, decision-making factors), as well as patterns of mental reflection of economic relations make the subject of an independent branch of psychological knowledge - Economic Psychology.

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⁵ Economic behavior is a behavior caused by economic incentives, and the activities of economic entities [2, с. 4].

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