

# Entrepreneurship and Changes at Hosting – Small Business

Nikolić, M.\*

Entrepreneurship as specific business and development philosophy has been underestimated and almost completely and almost completely rejected. The term **entrepreneur** was used for the first time by a French economist R.Cantillon in 1775. It was also written about by J.B.Sej in 1803. ("Function of entrepreneur is to combine production factors in manufacturing organism"). At the end of XIX century the term entrepreneur is almost gone in theoretic literature, due to the foundation of the neoclassical school. Neoclassical theory pays more attention to "perfect information", therefore makes less importance of strategic decisions and management.

T. Veblen criticizing neoclassical theory, emphasizes the important historical moment at which occurs the separation of the propriety and the enterprising function. In that context he uses specific terms: "**absent owners**" and "**industry captains**" ("The Theory of Business Enterprise", 1904.).

The Austrian economist J. Shumpeter is considered to be the father of enterprising ("Business Cycles", Mebrow Hill, New York, 1939. p. 95, 102, 104). In his interpretation of the capitalism the enterprise takes the central position. He is the agent of economic changes and development and applies combination of new production factors.

Enterprising is a term for activities which consist of making innovations, and the individuals who take out these activities are called the enterprisers. Innovations are necessary for the companies if they want to endure competition. According to Shumpeter there are five types of innovations:

1. Introduction of new products,
2. Introduction of new production methods,
3. Conquering of new markets,
4. Usage of new sources of raw materials,
5. Creation of new types of industrial organization.

Innovations always occur of a leadership of "The New Man". The enterpriser doesn't have to be an innovator, but the one who decides to allocate resources to make use of innovation. What matters for the enterprising is the leadership rather than ownership.

Shumpeter considers that a difference has to be made between functions of enterprising and management. Manager is individual who enables general efficiency of a current process. His task is to perceive processes and techniques which are available and to combine them in proportions which correspond to the current and estimated profit. The function of the enterpriser is to apply ideas; he cannot allow for processes to be routine, the present day practice cannot be good enough for the future. He is an innovator; more than that, he is an individual, in the expert literature called "**The Lieder**".

\* Miroslav Nikolić, Viša hotelijerska škola, Beograd, Kneza Višeslava 70

## The Enterprising in Yugoslav Practice

Until recently it was considered that the enterprising was institutionally built-in to the self-management system. The enterprising function in self-management was assigned to "work community", which in our conditions should have become a strategic resource of self-management.

In the liberal capitalism, the enterprising function was related to the owner of the capital, who had the unlimited power in company managing.

In governmental capitalism, modern capitalistic economy, the differentiation of the ownership and the management function was made in such way that the owners of the capita are not directly involved in production managing. That role was given to the enterpriser and the management team.

With introduction of self-management, enterprising function was given to working community. "Community enterprising" should have become the general characteristic of self-management company (OUR) and it was considered that working community in whole would act as an individual enterpriser. B. Horvat in his book: "Essays on Yugoslav Society" remarks: "Community is qualified for performing enterprising functions". In reality, working community hasn't managed to take the role of the community enterpriser, therefore hasn't developed a capability of creative enterprising of individual. There are many reasons for that and the most important are:

- a) Opposition of an interests between the work community and the company in general,
- b) Constant pressure of the working community on the made profit and aspiration to put most of the profit in salaries,
- c) Faster growth of salaries in relation to productivity (processes of social differentiation) and weakening of the enterprising role of managers,
- d) "Blind market forces" of "OUR-s" produced as result of negation of companies and the loss of the enterprising function in companies.

A market economy was replaced with the "deal economy". Also, weakening of companies was effected with ideological delusions and prejudices about private initiative. Constant fear of new ideas, patterning of legal relations and situations, resulted in weakening of initiative and work motivation, degradation of the system of values and finally in deformation of basic values of the self-management socialism.

Today, the enterprising and strengthening of private initiative, are seen as our way for exiting crises. The enterprising is expected to initiate positive changes and most of to change of our business mentality, our work and life philosophy which should result in important changes in socio-economic system. There are many conditions or the enterprise development and creating of the enterprising climate and three most important are:

- a) market
- b) competition
- c) freedom of economic subjects.

The enterprise expansion depend on the speed of transformation of existing economy system. Enterprise act passed on 01.01.1989. brings many innovations in economy system: enterprising, competition, risk, bankruptcy, pluralism of property and managing types, stock and stockholding, managing based upon capital etc. This was done because without it, goals like economy functioning and development in market terms could not be reached.

We can say that the introduction of the market economy is the first prerequisite for introducing enterprising in our economy. Besides market concept accent should be placed at removing ideological delusions and legal limitations in this area. By giving full freedom to economic subjects it was intended to stimulate the establishment of small and medium companies. The development of small business was intended to give a strong impulse to enterprising development.

The enterprising becomes one of the main factors of efficiency. From the historical point of view, only those economy and social systems who are more efficient than others and have faster development of production strength, can endure in long term. Today, only an efficient organization becomes the imperative, therefore we can say that this is the time of **managing and enterprising**.

The enterpriser could be an individual, a company, no matter of type of the ownership, ways of organization or government. In our practice every individual business is considered to be a private enterprise, which shouldn't be accepted, because it should rather be termed as "**small business**".

The beginning of the small business in hosting is represented by an example of family enterprise of first generation. In recently built settlement (1989.) a private enterpriser opened 20 square meters hosting object called "**ALE-GRO**". In the beginning the equipment and the inventory were minimal, consisting of a bar, 4 tables and 12 chairs. At the time there were five more cafes nearby. Prices at this facility were the lowest, what is the case nowadays, too. The main part in business was led by experienced hosting professional, the owner of the object. Her husband and their two sons managed unessential duties. Constant presence in the object by the owner is important. Development and improvement of business was gradual. First, terrace consisting of 15 tables (60 seats), which rapidly expanded object capacity. This brought higher profit, which was invested in further expanding. A small kitchen, bakery and restaurant with 10 tables (40 seats) were opened. These changes These changes took place in a period between 1989. to 1995., modestly, but safely. Today, the whole business is managed by the same number of employees – members of the family. They have hired only an accountant, part time.

The sources of financial means for the beginning were their own acquired by selling their parts of property.