
About: Entrepreneurism: A philosophy and sensible alternative for the market economy¹

Raymond W.Y. Kao, Kenneth R. Kao and Rowland R. Kao

Why Entrepreneurism?

It is 95% likely that the world's remaining oil resources will last at least another 63 years, but only 5% likely that it will last another 95 years.

The American Petroleum Institute

There is an interesting concept found in Generally Accepted Accounting Principles or "GAAP". It is the principle of the "going concern". This means that a balance sheet or operating statement can only be considered true and fair, if it applies to a business which is a going concern. If the business is not a going concern, then no balance sheet, no matter how meticulously kept, can be considered to be a true and fair representative rendering of the company's financial state. When this concept is extended to the level of our planet, if mankind consumes all of the Earth's petroleum resources, whether in the next 65 years, or the next 1000 years, then such resource exploitation, is not profitable as it cannot be considered a "going concern". We would simply be borrowing against the future to finance the present. How does this help us to attain sustainability for our economic future?

We present here some of the most serious challenges humanity has ever faced, those resulting from overrunning our planet. We often hear people speak of "the market economy". What is the market economy? In fact in this world in which we live, there is not just one market economy, but four, listed here in order of decreasing affluence:

- Western market economy
- Transition market economy
- Survival market economy, and
- Benevolent or begging market economy.

The western market economy is comprised of nations populated by approximately one-sixth of humanity, and it contains the world's most affluent societies, consuming seventy-five per cent of the world's energy. If its kind-hearted members have it in mind to bring the remaining world population to their level of "prosperity", then we shall need at least four more planets to accommodate us as we stand right now. So what are our options?

With our level of knowledge and technological expertise, we have three of them. In the first option, we accelerate the work on the American led space program, land on Mars or some other suitable planet, and in the words of Star Trek's Captain James T. Kirk, let any natives, or "aliens" know that "We come in peace." The second is that we

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sensibly allocate and utilize our resources, both renewable and non-renewable, and address the challenge of defining the making of “profit”. The third option is that we innovate and create new ideas and new technology, not just out of self-interest, but also for the common good.

For the time being the first option is nothing more than science fiction. While research continues on a future mission to Mars, the difference between exploration and exploitation of the Red Planet is a matter of at least several decades. We do not have the resources to either send enough of the population off-planet, or bring back enough resources to make the burden on Mother Earth more bearable. Who would be crazy enough to sell us the travel insurance? The other two options are really inter-related; to create and innovate both in self-interest and in the interest of humanity requires knowledge of what true profit is, in order to keep Earth a going concern. Taking from the future to pay for the present is undesirable, but we need to use at least some of the Earth’s resources in order to survive. How much is enough? How much is too much? Therein lies the difficulty, since greed is imbedded in human nature. If we can take, we take, and if we can grab, we grab. Can we change our natures? Possibly, but it would be extremely difficult. This is due, at least in part, because we persistently ignore the value of nature and the reality of limited resources. We take, but what do we give back to the earth? Hence, what is the future?

All humans are driven by two fundamental desires: the desire to own and the desire to create. Ownership is not just the titular holding of property – physical, intellectual or otherwise – but the right to make decisions, or to put it another way, the right of free choice. The desire to create is the desire to take what is there, and alter its form to suit our purposes, bringing into being something that did not exist before.

These desires can be twisted to make what is good, into what is evil. Vandalism and the urge to destroy are deviant expressions of the desire for ownership – if I can destroy something, then I claim mastery over it. Destruction is also a perversion of creation – for in order to create, I must change what already exists. The difference is that destruction leaves behind nothing but a vacuum that others can fill but which I do not fill myself.

These needs and desires are so fundamental that we sometimes forget they belong not only to us now but also to those yet to be born.

We are born to create. We are born with the desire to procreate, and with the desire to raise children. That is the essence of creation. To watch a child grow up and develop is surely one of the greatest joys in life. The lives of newborn babies are entirely under our control as we regulate how and when they eat and sleep. But we all watch our children eventually grow up, mature and leave home to start their own families. In this we have the ultimate expression of ownership – owning the choice to create something and let it go. Interestingly enough, human beings have found our own way to make sure that “ownership” can be “created” by our own desire, depending who is in charge. While communism claims ownership belongs to the state, capitalism on the other hand, through capital accumulation facilitates ownership by the rich.

Communism has and is failing precisely because it made the mistake of removing ownership from the individual. Capitalism will also fail, because it erroneously equates

creation with acquisition, and turns ownership over to the few. Entrepreneurism as an ideology is applicable to all economic activities. The individual is a creative and innovative agent who desires ownership, has the right to make proprietary decisions and assumes stewardship responsibility for the common good. Entrepreneurism works within the market economy system but does not replace it.

About the book

The book, *Entrepreneurism: A Philosophy and Sensible Alternative for the Market Economy* is centred on four basic concepts: Creativity, innovation, wealth and value. By wealth, we mean wealth for the individual and by value, value to society. These are definitions that the senior author first advocated in a publication on *Innovation Management* in Manchester, U.K. in 1994. In the first part of the book, we discuss the fundamental issues of self-interest and the common good: profit and cost, needs, wants and greed, values and culture. We then build on these fundamentals with applications to economic activities including the meaning of having one's own business; the two sides of family business; corporate power, its mission and management; entrepreneurship for government; and mission-based charitable organisations. The book also devotes extensive space to matters concerning "profit" and the "market economy".

The fundamental thought that sustains it may best be illustrated by a fishing story (see section I below). It puts the responsibility on those who are in the position to influence and/or make decisions that will affect others.

The book has 20 chapters in two sections. Section I explores the basics, which are then applied to economic activities in section II.

Section I: The pillars and the foundation

If I give a man a fish, then I feed him for a day. If I teach a man to fish, then I feed him for life. If I teach a man to fish responsibly, then not only do I feed him, but the rest of his village as well, for generations to come".

R.W.Y. Kao 1993

This quote exemplifies the entrepreneurial stewardship responsibility of creativity and innovation that are essential for us to be self-sufficient, but also for the common good. We can have both, but only if it is done responsibly.

Introduction: this is how we begin – chapter 1

For chapter 1 we wish to convey the idea that even though we have made remarkable progress, giving an unimaginably high living standard to some, we owe it to ourselves to take a hard look at a simple reality: how well have we managed our resources, the natural environment and the welfare of people? With this in mind, the book employs quotes from a number of different sources, leading us into inquiries about the ways we have managed the natural environment, resources, and people. The first quote is borrowed from Rachel Carson, as interviewed by CBS in 1963, and reported by *Time*, March 29 1999, page 117, and aptly expresses the main theme:

“Man is part of nature, and his war against nature is inevitably a war against himself”.

The Foundation – chapters 2, 3 and 4

In chapter 2, we show how the discipline of “Entrepreneurism” is evolved from Entrepreneurship, from a branch of business studies with a narrow focus on new venture creation and owner managed smaller enterprises, to a doctrine that recognises entrepreneurship as a way of life that takes substance from the Earth and makes it into different combinations, both to create wealth for self-interest and add value to society. It bridges the microeconomic focus on “profit-making” (for self-interest) and the macroeconomic “common good” (add value to society) that is necessary to sustain mankind. To reflect these thoughts, and in the interest of our need for the common good to be supported by all economic activities, we use the following passage as the chapter’s introduction:

In the context of idea evolution, Entrepreneurism is not a modern version of capitalism, since capitalism advocates the accumulation of private property and personal wealth through capital accumulation; while Entrepreneurism encourages the creation of wealth and adding value to society through innovation and creativity. It is an alternative to socialism on one hand, and capitalism on the other.

From chapter 2 to chapter 8, we explore fundamental issues that surround our economic welfare: The way we treat people, and our behaviour towards the natural environment and exploiting resources. The fundamental ailment that causes all these problems, has been our inability, or unwillingness to determine both human and environmental sacrifices, because the professionals who serve the business world believe they cannot be accounted for, even though they fail to recognize legitimate costs that create poverty through “accumulation of ownership holdings” and “profit-making” process. To reflect this train of thought, chapter 3 begins with the following:

The greatest challenge of the 21st century is to appreciate the nature of ownership and the nature of profit. The greatest fear for the Capitalist-based democracy is not Communism or Socialism, but poverty. The seeds of Communism did not take root in the prosperous nations of the Western world. It took root in countries where accumulation of property reached obscene levels, and poverty drove a desperate population to extreme measures. As long as “poverty” remains in the dictionary, the fear of Communism will always be there.

A large portion of chapter 3 is involved in ownership issues that extend from Maslow’s theory of needs, wherein needs can only be satisfied if the person is in possession of resources required to satisfy his or her needs. As desire for ownership expands from needs to wants, then greed, the struggle to acquire (or grab) ownership is a clear source of human conflict, which may even be a crime against humanity and nature. The consequence is inevitable poverty.

Chapter 4 explores the relationship between making profit and the common good. People may have different connotations for the common good, but we borrowed a decree from the Second Vatican Council to simplify our understanding concerning the common good:

Factors contributing to the common good are “the overall conditions of life in society that allow the different groups and their members to achieve their own perfection more fully and more easily”.

Legally making profit alone does not automatically contribute to the common good, if such profit is made by ignoring the contributions made by the natural environment and resources, at the cost of furthering poverty to humanity.

The Four Pillars – chapters 5, 6, 7 and 8

The preparation of chapter 5 was a soul-searching exercise for the authors. However, we made our attempt to stay out of the traditional view of the relationship between price and profit, by looking back at the basics of “people and society”:

In a “primitive” utopian society, there is no market economy, no poverty, no problems with wealth distribution, nor trouble with unemployment. There is plentiful individual initiative and at the same time, people work together whenever there is a need. The people live in harmony, both with Nature, and with each other. They enjoy life as it is. What are they missing? Do they miss the “dot.com’s” or automobiles, or big city buildings? Do they miss television and air travel? They have no desire to satisfy any of Maslow’s needs beyond the most basic ones, because they do not know they exist. That is, until someone from outside comes along and “civilizing” them. One need only imagine such a “primitive” society to realize that in many ways it is far more civilized than our society today.

It would be wrong to suggest that poverty is caused by civilization, but it would be fair to say that poverty is generated by greedy individuals who take advantage of the market system for selfish reasons, at the cost of people and the environment in the name of civilization. It was the World Bank that pressured the Indian Government to privatise water. Because of this, local villagers were prevented from drawing water from traditional sources in Maharashtra because it is now exclusively used by Coca Cola, who can pay for it. Is this the work of civilisation, or the price of poverty? As long as we insist that the individual has the right to accumulate infinite private property, poverty will remain with us. At the Kananaskis G8 Summit (27–28 June 2002), Russia was granted full membership with billions of US dollars as financial compensation for Russia’s cost for disarmament, and a sizable financial aid package was given to African nations, but everything that the G7/G8 has done through all their summits has come nowhere near reaching the root of the problem of global poverty. Unfortunately, poverty is not a gift from God, but is created by man. As said by the late US President, John F. Kennedy:

Our problems are man-made, therefore, they may be solved by man. No problem of human destiny is beyond human beings.

If poverty is the enemy of humanity, we have to think hard on what is the true meaning of profit, how was it made and where it came from? If we cost economic activities properly, there is no profit on a macro basis, but only residual rewards to better performance of allocating resources. It is a concept advocated some sixty years ago, however regrettably, it has not moved an inch forward since then.

In chapter 6, we continue working with the late President Kennedy’s words:

Our problems are *man*-made, therefore, they may be solved by *man*...

To solve our problems we need to begin from “man”, the individual, as decision-maker. It is awareness of the mindset of man that can make a real change and lead to the solution of problems. Hence, we explore the individual from the very basic chal-

lenges: Value, individual value, value of the organization, and entrepreneurial cultural value:

We need food to survive, real profit to support a business' well being and sustain its growth, but it is "value" that has enriched our soul, strengthened organizational purpose and made it possible to grow and offer benefit to the individual, and society.

Value is a personal, spiritual and organizational property, but more so, a public concern. Although there are value differences among people, and nations alike, it is our value in which we share and where our culture can spread and civilization can flourish.

There are two challenges. First, what do we do with the issue of individuals who take from nature because they are legally entitled, even though they may commit moral injustices? Second, in a related issue, how do we properly value all contributions, both human and from the environment and in particular from non-renewable resources? We have no excuse for not doing so, only the paper-thin argument that all contributions cannot be costed quantitatively, and so are ignored by "generally accepted principles".

In chapter 7, we focus on the cost and costing issues in some detail, especially opportunity cost and the cost to the Earth to serve our economy. Have we ever thought about how mining companies account for every cent spent on digging, drilling, executive travel, and contributions to political parties who support their way of digging and drilling, but nothing is done to account for what they have dug out of the underground? What about the damage that the mining companies do to the local economy and people once they exhaust what was in the underground? Incidentally, as CEOs so proudly announce how much profit their companies make, do they ever give a thought that our natural environment has annually contributed billions of dollars to the global economy? How much have they given back to the environment, the mother Earth? These are problems we create in the name of making profit.

Chapter 8 focuses on people issues in human institutions. Although they are related, we do not address routine matters that involve selection, training, wages, promotions, job satisfaction, and among other things, the challenges of human resources development and management, but instead concentrate on issues related to human value. How do we view people? What can be done to develop individuals to be members of a community of entrepreneurs?

Section II: The pursuit of entrepreneurial culture

There are eleven chapters dedicated to application of the basics developed from the first eight chapters in section I. Chapters 9, 10 and 11 are committed to the creation of a new venture and its development and growth; family business is also covered in three chapters, as is corporate entrepreneurship, with one chapter each for the government and mission-based not for profit organizations. We concluded the book with a recommendation to recognize the planet's contribution to humanity.

Venture creation, development and growth – chapters 9, 10 and 11

Chapter 9 begins with the following messages on new venture creation and small businesses:

The creation of a new venture is not a highway to heaven, but it is a vehicle to economic freedom; with passion, love and sharing, that makes the creation of a new venture both for self-interest and a benefit to society.

Although big is better, small is still beautiful; a bold eagle gliding in the blue sky gives you a vision what heaven can be, but it is the hummingbirds that make our Southern Hemisphere paradise on earth.

Various venture ideas were offered as well as the needed situation analysis. Several cases in the chapter are designed to provide insight challenges in the course of creating new ventures.

Chapters 10 and 11 are dedicated to venture development, growth and expansion. We borrow some simple thoughts from Confucius:

Learning without thought is labour lost; thought without learning is perilous.

To elaborate:

Learning and thought galvanize the entrepreneurial mind, and it is the planning that speaks that mind, and transforms mindset into action.” A formal plan is a guide for action. Even if it’s a simple or poor plan, it is still better than no plan at all.

As both “value” and “profit” are driving forces that can shape a venture’s development potential, we therefore made a clear distinction between value-driven and profit-driven philosophies, and illustrate how those differences affect their operational strategies. While a value-driven venture tends to be dedicated to sustainable growth, a profit-driven business focuses on short-term financial success, and more often than not on the cost, if not from long-term viability, will likely be from the common good. Criminal organizations, and legal but immoral business undertakings are cases in point.

There are a number of growth strategies that are exemplified in all three chapters, including functional areas of financing, understanding the cost of capital for short term financing and the use of ratio analysis to examine financial health. Planning and management are discussed, include marketing and the identification of measures used to avoid common pitfalls. In addition negotiation skills are part of the deliberation.

Family business, tragedy, glory and succession – chapters 12, 13 and 14

Chapters 12, 13 and 14 are about family business, causes for failure and reasons for success, with special effort devoted to the examination of succession problems. A short note serves as an introduction to each of the three chapters.

Introductory note for chapter 12:

‘Family’ is a magical word, especially in some ethnic communities. It means a great deal to people in the family. It is a social unit, an economic unit, and at times even a political unit as well. At its best, successful family businesses typify all the best characteristics of an entrepreneurial entity, motivated by love and passion and a desire to help others. On the other hand, a family business that is poorly managed, ill-founded, motivated by greed, and whose objective is only to make money, can be a tragedy and a seed bed of corruption, consequently, bankrupting both family relations and business.

Note for chapter 13:

Family is a natural human institution. Through entrepreneurial creative spirit build businesses that serve their multiple purposes of creating wealth for the individual, promote harmonious family relations and add value to society. Members of a family business who share their family value will most likely work together and stay together that will further and elevate their family value, vision, purpose that stimulate business growth and enjoy nature's gift; the beautiful relationship of human interaction. If on the other hand, due to individual's desire for a greater inter-play and the pursuit of personal interest, family business could then be the cause of family conflict, the deterioration of entrepreneurial spirit, by conflict of interest, disintegration of unity, consequently, bankrupting both family relations and business.

Note for chapter 14:

The success of family business is one where family and business can be proud of each other, with the purpose of stressing family harmony as well as achieving high level of business success.

Cases based on actual happenings are used to support the introductory notes, including tragedy for the business and family relations; the glory of a family business that the venture can be a community of entrepreneurs that serve self-interest and act for the common good; as well there is a case that reflects the successful business succession.

Corporate entrepreneurship – chapters 15, 16 and 17

Traditionally, a corporation is there to make money for their shareholders (so to speak) through providing services and/or selling goods to its customers, but a corporation can have its own life. The following speaks for itself:

We would like you to buy our products and use our services. We are here to serve you, your children, children's children and their children. When they are here, we will still be here to serve them the same way as we serve you. We pledged ourselves to this: this is our mission, our commitment, and our purpose for being in business.

Chapter 15 is devoted entirely to the challenges of what is required for a corporate entity to be a community of entrepreneurs, and what is an entrepreneurial corporation?

An Entrepreneurial Corporation: A corporate entity, regardless of its size is a community of entrepreneurs when individuals in the entity are there by their own right, working together as a body dedicated to the creation of wealth for every individual within the entity while adding value to society.

Chapter 16 is dedicated to explore the heart of the issue of corporate purpose. Would it be true that there is no corporate life beyond "Profit" and "R.O.I."?

"Profit" and "R.O.I." (Rate of return on investment) are powerful tools used to stimulate and motivate people to behave and act for their own self-interest. There is no doubt that self-interest must come first before we can have concern for the common good. The same is true in business, any business in any form. It is perfectly justifiable for any business to make a profit, except we must recognize there is no profit unless all costs are accounted for. The current practice in the determination of profit seriously overlooks the importance of legitimate costs, and consequently, misrepresents profit. Therefore R.O.I. is a major contributor to the erosion of resources for humanity of the future. The sad part of it all is that R.O.I. is like a prison that has captured business management and "B" school education in a lifelong sentence with no chance for parole. Lord help us!

Traditionally, corporate management's responsibility has been noted as a stewardship responsibility to utilize resources effectively and efficiently to achieve corporate objectives. Corporate objectives have been confined, in the traditional view, to earn required ROI for its shareholders. Chapter 17 advocates entrepreneurial corporate management

featuring assumed stewardship responsibility for all its contributors, managing the business to ensure economic sustainability both for the corporation and society. The chapter advocates corporate management's need to have an operational strategy that breaks away from the traditional "ROI" focus, but is oriented around an economic residual, sustainable both for the corporation and society, and mutually beneficial to all in its dealings. It would respect the rights of the Earth and the rights of people, empowering individuals in the corporation to make proprietary decisions and assume stewardship responsibility. Lastly, even though we cannot predict the future, we must recognise that what is in the future belongs to the future. Our stewardship responsibility does not extend us the right to steal what belongs to the future, just because we need and want them for the sake of our pleasure and enjoyment.

Can or should the Government be entrepreneurial – chapter 18

Chapter 18 addresses the government's role in an entrepreneurial environment. More often than not, governments tend to react to what they believe people want, rather than giving the people what they need by taking entrepreneurial initiatives for the common good. Unfortunately, it has been difficult to draw the line on government's entrepreneurial initiatives – just how much is for the common good? For example, is building a six-lane highway to accommodate cottage goers for the common good? It alters land use, destroys natural habitats, and encourages car use, increasing air pollution. But politicians could very well justify their actions by saying: This is what people want. All that can be said is that anyone with this mindset cares nothing about opportunity costs or the future. To their minds, the future may be important, but the future doesn't vote.

The chapter explain why it's difficult to be an "entrepreneurial government", because in the western market economy, an entrepreneurial government means government intervention, and the currently fashionable conservative view is that a government should privatize any function where a "profit" can be made. On the other hand, there can be entrepreneurs in the government who undertake entrepreneurial initiatives both for personal interest and for the common good. Private sector entrepreneurial and government entrepreneurial initiatives are compared, however, even though government entrepreneurial initiatives may be viewed as intervention in the market economy, a government must intervene into the market behaviour of any private enterprise and/or the market as a whole, if it is deemed for the common good. In this sense, it is therefore always entrepreneurial.

Entrepreneurship for mission based not-for profit organizations – chapter 19

Charitable and mission-based not-for-profit organisations (CMBO's) are not traditionally considered to be there to make a "profit", yet if this is so, a charitable organization will not grow. In fact, for any charitable organizations to develop and grown to become an "enterprise", it must generate "economic value" and individuals in the organization would therefore be entrepreneurs. The OECD considers these organizations to be job providers and contributors to the GDP just the same as other enterprises. Chapter 19 provides an account of how CMBOs fill in the cracks created by the market economy, and recognize that the benevolent market economy is here to stay, and will

grow bigger for some, and greater in number as well. They will compete for “business” just like any other business entity and need to be entrepreneurial, and therefore must act both for self-interest for individuals (not always in monetary term, but certainly for self-fulfillment and satisfaction) and add value to society.

Conclusion – chapter 20

In view of the complicated nature of the market economy in which most of us live, there is no one set solution that can reverse what has been done. Nevertheless, we must begin to seek answers to the challenges we face. Entrepreneurism attempts to address the issue based on: Creation, innovation, wealth and value. It is based on the principle of the “common good” that must be planted in our minds and transformed into action. Chapter 20 proposes an initiative to use Gross Planet Productivity as a measure along with modified GDP and GNP presentation. It is our wish to reach both the individual and the group, improving ourselves in the name of “humanity”.

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