
Disputes over the Definition of the Concept of "An Enterprise"

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Abstract:

Purpose: The aim of the article is to indicate the methodological possibility of reconciling empiricist and phenomenalist views in the consideration of the concept of 'an enterprise' carried out within the framework of economic, management and organizational theory.

Design/Methodology/Approach: The proposal is an attempt to use and generalise the hitherto achievements of these disciplines in the field of enterprise studies and takes into account the state of methodological reflection resulting from discussions on the grounds of contemporary empiricism and hermeneutics.

Findings: The article is a presentation of various views in the discussion on the essence of the enterprise in the light of contemporary empiricism and hermeneutics. The 'indefiniteness' and 'imprecision' of the concept of 'an enterprise' or 'a firm', as it has been stated for example in the framework of the European Union law, confirms the validity of the statements of Gödel, Church, Löwenheim-Skolem as well as of the Duhem-Quine thesis, which are well known in the contemporary methodological thought. The practice of functioning of enterprises as entities of the market economy, the history of business as reflected in the 'path of dependence' and the analysis of the existing system of institutions mean that the disputes waged in the theory of economics and management about the essence of the enterprise as an empirically knowable entity may be effectively overcome on the grounds of the interpretative approach relevant to the phenomenalist methodology. The relaxation in the contemporary methodology of sciences of the rigours of traditional empiricism, especially in its restrictive form offered by neopositivism, and the introduction of phenomenological aspects in attempts to define the concept of 'an enterprise' as a multidimensional vector, whose components are certain sets of types of characteristics of different types of enterprises creates an opportunity on the ground of economic theory of enterprise to formulate empirically verifiable or falsifiable sentences.

Practical Implications: The definition of the enterprise concept proposed in the article may be useful in legislative practice concerning the enterprise, its organisation and operation.

Originality/Value: The article proposes a new way of defining the concept of 'an enterprise' using the achievements of empirical and phenomenalist theory of scientific cognition. This definition makes it possible to increase the precision of research within the economic theory of enterprise.

Keywords: Methodology, enterprise, definition.

JEL codes: B40, D20, L20, P12.

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1. Introduction

An overview of positions on the understanding of the concept of 'a firm' in the literature on economics and its counterpart used in the field of management sciences, i.e., 'an enterprise', indicates that they are rather examples of a general concept, which means one that does not have an unambiguously corresponding designator in reality. As a result, enterprise studies usually use a specific set of characteristics of this type of entity specific to different types of enterprises, for instance, a large private joint-stock company, a small family business, etc. In this situation, the theory of the firm developed within economics, covering the full spectrum of enterprises, is a metatheory for the theory of the firm of a specific type, and not a theoretical image of an unambiguously defined and empirically knowable object.

From the methodological point of view, the use of the concept of 'an enterprise' may be considered, on the one hand, a violation of the positivist rule of nominalism, and, on the other hand, another confirmation of the opinion expressed by the representatives of phenomenism that entities created by people cannot be precisely explained, but they can be understood. These methodological ambiguities and vagueness connected with the discussion on the empirical character of an entity such as a company have significant consequences of not only theoretical, but also of practical significance. On the one hand, they reduce the precision of considerations within the economic theory of the firm, while on the other hand, they are the cause of difficulties in operationalising the concept of 'an enterprise' in socio-economic practice. Overcoming them requires an attempt to reconcile traditional empiricism with epistemological concepts developed on the ground of hermeneutics.

An example of the practical consequences of the methodological deficiencies of the economic theory of the firm may be the understanding of the concept of 'an enterprise' in the system of European Union law. Its understanding differs not only in the legal systems of specific states and international law, but also within particular parts of one legal order, such as civil law, tax law, administrative economic law or competition law (Buendia Sierra, 1990, p. 30). A review of the provisions of the EU Treaties shows that the concept of 'an enterprise' is used repeatedly in the Treaties, but is not clearly defined. The definitions adopted vary to some extent depending on the context of their use, e.g., in provisions on freedom of economic activity and in competition law (Dudzik, 2002, pp. 134-135).

In the light of the latter, an enterprise is an entity or a unit (it can be a natural or legal person) conducting economic activity for the needs of the market (Ritter, Braun, and Rawlinson, 2000, p. 41). It seems rational to assume that the lack of an unambiguous definition of 'an enterprise' in the European Community law is to a large extent the result of methodological problems of the enterprise theory developed on the grounds of economics and management sciences. It is therefore worth analysing their nature and the possibilities of overcoming them.

2. Literature Review

In the study of enterprise, one can now observe a tendency in contemporary philosophy and methodology of sciences to relax the rigours of traditional empiricism, especially in its restrictive form offered by neopositivist philosophy. Thus, the stated 'indeterminacy' and 'imprecision' of the concept of 'an enterprise' provides further confirmation of the validity of the well-known Duhem-Quine's thesis, Gödel's theorem, Church's theorem and Löwenheim-Skolem's theorem. The view that it is possible to reconcile traditional empirical theory based on the methodology of verificationism or falsificationism with theories developed within the framework of phenomenalist philosophy, to which hermeneutic methodological concepts correspond, is promoted among representatives of postmodern theories of organisation and management. As, for example, Alvesson and Deetz (1996) state, 'there are many possibilities to find intermediate solutions between traditional realist and hermeneutic epistemologies - where, on the one hand, there is space for empirical studies concerning organisational phenomena, while, on the other hand, to take into account the esoteric character of knowledge in the social sciences, assumed on the basis of postmodern philosophy'. Support for these views can also be found in the works of Maas (2014), Morrison (2015), Rosen (1988), Knights and Wilmott (1992) and Martin (1995).

In turn, attempts to synthesise postmodern concepts with empiricist epistemology on the ground of economic theory can be made in various ways. One of them is treating the theory of the firm as a metatheory of scientific cognition (1996). Another way is connected with Habermas' theory of communicative action (1983). In this case, the basis of hermeneutic epistemologies are 'communicative language effects' manifested in the existence of multiple interpretations of the experienced reality (1987). Still other proposals involve discourse on a particular topic from different analytical perspectives. In relation to the company and the organisation, an example of such an approach is the well-known concept of organisational metaphors, most fully presented by Morgan (1997).

However, from the point of view of the aim of this article, the most interesting possibility for a synthesis of the two positions is to extend the term 'empirical' so that it includes as elements of reality existing and acceptable interpretations of data about the world, confirmed by experience. This proposal is more general than J. Habermas' conception (1983) and in line with the achievements of analytic philosophy. Supporting this proposal, it is justified, in the light of the current state of research, to define the concept of 'an enterprise' as a multidimensional vector, whose components are certain types of characteristics created, on the one hand, on the basis of empirical data, but on the other hand subject to various interpretations. The set of accepted types of characteristics certainly includes resources, mechanisms, structures (e.g., organisational, property rights), institutions (norms and rules of operation), relations (internal and those with the environment), processes (production, internal and external exchange, decision-making), people's actions

(entrepreneurship, management, building coalitions of interests, opportunism, reducing losses and improving efficiency, etc.), and goals and effects of actions taken (products, services, loss or profit, company growth, market position, company size). In this situation, the opportunity to preserve the empirical character of enterprise theory is to synthesise empirical and hermeneutic approaches in such a way that existing and imagined interpretations are treated as 'problems of language', as suggested by analytic philosophy, or as issues of social communicative practice or empirical evidence of the functioning of some 'structures'.

However, it should also be noted that a source of difficulty in defining the concept of 'an enterprise' is the clear tendency for the number of conceptual characteristics (a black box, contract heir, coalition of interest groups, bundle of property rights, hierarchy, etc.), metaphors, mechanisms, structures, functions and organisational forms characterising the enterprise to increase. Attempts to overcome these difficulties have so far consisted mainly in introducing further new dimensions of the enterprise as a social and economic phenomenon into the analysis.

3. Discussion

In the light of the considerations so far, it is possible to formulate the conclusion that the concept of 'an enterprise' is a general concept, and therefore, from the point of view of phenomenalism and nominalism, as rules of positivism that recognise experience as a source of knowledge about reality; it says nothing about the empirical world. It can only be regarded as a certain way of ordering and synthesizing many experiences. However, it has no cognitive function. According to positivist philosophy, all 'general entities' are a feature of language and not of reality, which is always concrete and empirically knowable. Therefore, if we want to preserve the empirical character of the economic theory of a company, and at the same time take into account the main sources and consequences of the criticism of the positivist and neo-positivist theory of scientific cognition, we should strive to give the concept of 'an enterprise' the character of a concept having its designations in reality, and thus fulfilling a cognitive function.

Within the framework of the compromise acceptable on the grounds of the contemporary philosophy and methodology of sciences between empirical and hermeneutic concepts in the field of the theory of cognition, the proposal of constructing a typology of characteristics of an entity such as a company, having an empirical basis, breaks through the cognitive limitations of the contemporary economic theory of a company resulting from the fact of 'understanding' of the object of its research, which is a consequence of defining the concept of a company in general and not in observational terms. In this sense, this proposal is in line with the methodological stance of critical empiricism, which, as it is known, aims at linking knowledge with experience, where experience is understood as sensual contents of consciousness or all that (thus also interpretations present on the grounds of hermeneutics - own note), the expression of which is a certain type of sentences,

namely those the truth of which can be confirmed by sensual observation (Blackbumy, 2004; Gorazda, 2016).

The ontology of the enterprise is complex. For it is a thing (a black box, resources, competences, heir of contracts, coalition of interests, organisation, bundle of property rights, hierarchy), a process (the process of allocating resources described by the production function, the management process connected with contracting, motivating, dividing the produced effects, exercising power, building and enforcing the institutional order, reducing the level of risk, the result of the process of formation and evolution of the commodity-money economy and capitalism, consequence of the evolution of capitalism and civilizational changes related to the structures of the information society and knowledge-based economy), event (entity brought into existence by the state, conclusion and implementation of a contract between the founders of a company) and relationship (relations between the owner and the direct producer, principal and agent, company and its environment, partial equilibrium and general equilibrium, relations characterising the network).

If we consider as correct the view formulated already by Plato, that from the ontological point of view the basic components of reality belong to the category of things, processes and events (processes and events usually differ in their duration), and the remaining categories of reality are of secondary nature, thus not constitutive, we should assume that the essence of a company (an enterprise) determined by a set of constitutive properties cannot be combined with the concepts of this type of economic entity referring to a specific type of relations. This is certainly an important argument in the discussion of the virtual and networked enterprise (organisation) and the concept of the 'new economy'. It has been put forward among others by Benkler (2006), Ricketts (1987), Shapiro and Varian (1999) and Spulber (2009). The following conclusions are therefore drawn from the considerations made:

1. A correct definition of the concept of the firm (enterprise) must refer to the concept of the ontological structure of reality in order to then define the essence of the object of study of the theory of enterprise. This means defining the constitutive features of the enterprise in terms of things, processes, and events. The definition of the essence of the enterprise allows, in turn, to describe, explain and understand the evolution of the ways of its existence defined in terms of relations, states of affairs, change of states and relations, and characteristics.
2. Assuming the admissibility of combining the epistemological propositions of positivism, neopositivism and phenomenism, the constitutive features of the enterprise must be defined in empirical terms. Using only universals in definitions of the enterprise deprives them of empirical content.
3. From the ontological point of view, the review of positions on defining the concept of 'an enterprise' indicates the multiplicity of properly constructed (i.e., in terms of things, processes and events) definitions. The way they are

constructed is consistent with the position of ontological pluralism dominating in the contemporary philosophy of empirical sciences. Ontological pluralism assumes a plurality of entities, internally composed of mutually irreducible elements, such as, for example, essence and existence, matter and form together with their various modifications. Only their mutual ordering and composition from essence and existence makes it possible to acknowledge the reality of pluralistic reality. It is on the basis of ontological pluralism that the methodological postulate to study in empirical sciences different ontological models of reality and different languages describing them finds justification. The ontological analysis of the enterprise is therefore important for the construction of correct definitions of the enterprise and for the description and explanation of the ways of its existence in empirical terms.

4. Accepting the position of ontological pluralism makes it possible, in a particular case, to undermine the view of the fuzziness of the concept of 'an enterprise' by recognising that this entity has many ontological models. The concept of 'an enterprise' is therefore an element of metalanguage. Only defining it as a vector, the components of which are particular types of characteristics described in terms of things, events and processes by means of empirical quantities, i.e., in the language of observation sentences, allows one to meet the criteria applied to scientific knowledge in accordance with the position of critical and moderate empiricism, allowing for combinations of empirical and phenomenalist epistemologies, and thus sanctioning the operation of abstract concepts (universals) and observation terms, postulated by nominalists. Consequently, the theory of the enterprise, which is concerned with the enterprise, its essence and ways of existence, is a theory reflecting reality, but at the same time an instrument whose use in the process of scientific cognition may lead to different interpretations of this reality in accordance with the theorems of Duhem-Quine, Gödel, Church and Löwenheim-Skolem.
5. On the basis of ontological pluralism, questions of the existence of being are also considered. For the study of the enterprise the ontology of relations is of particular importance. The ways in which an enterprise manifests itself in relations with other things are secondary to its constitution as an object (thing), i.e., to its essence. An enterprise can therefore exist, and in many ways, only if such an entity has previously been constituted or defined. Thus, if enterprise behavioural strategies are studied, it is assumed that it is known what the enterprise is. For a relation cannot exist for itself, in separation from the things between which it occurs. The fundamental criterion for the existence of a thing (enterprise) is the criterion of time and space. The analysis of relations itself is only an expression of taking into account the existential side of being in the process of scientific cognition. For an enterprise, as a real being, existential pluralism is characteristic, allowing for many ways of its existence resulting from the multiplicity of relations in which an economic entity of this type is entangled. Thus, the consequence of accepting the position of ontological pluralism is the reality of entities as things and the ways of their existence, i.e., relations.

6. When constructing a definition of the enterprise concept, it suffices to treat it as a commonplace. On the other hand, assuming the admissibility of combining the epistemological proposals of positivism, neopositivism and phenomenism, the practical operationalisation of this concept requires that the constitutive features of the enterprise be defined in empirical terms, since all attempts to define them using only universals lead to difficulties in the empirical identification of this entity.

4. Conclusions

The considerations carried out show that using the epistemological concepts of empiricism and phenomenism, the concept of 'an enterprise' may be defined as a multidimensional vector, whose components are certain types of characteristics created, on the one hand, on the basis of empirical data, however, on the other hand, they are subject to various interpretations. It is acceptable at the same time that the interpretations are subjected not only to the types of characteristics adopted for the analysis, the names of which are most often expressed in general terms, and their number within the adopted typology is variable and expresses the effects of the historical process of change of the enterprise as an economic entity and progress in the process of its scientific cognition, but also to the collected sets of empirical data specific to a particular characteristic. This definition makes it possible to take into account the diversity of organisational and legal forms, modes of operation and increase in the quality of legal regulations concerning enterprises as empirically cognisable entities.

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